

Smooth sailing

16 February 2024



EXCL IJ	BUY
Sector	Telecomm.
Price at 16 Feb 2024 (IDR)	2,270
Price target (IDR)	3,090
Upside/Downside (%)	36.1

Stock Information

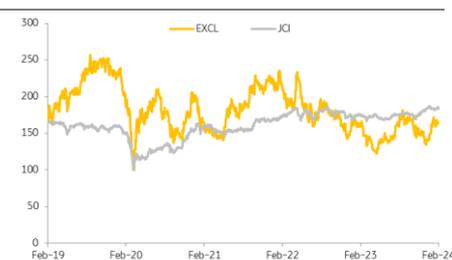
XL Axiata is a telecommunication company in Indonesia, covering around 95% of Indonesian population as of 2019. It is subsidiary of Malaysia-based Axiata Group, in which its business lines are focused on mobile communication, fixed broadband and IT business solution.

Market cap (IDR bn)	30,194
Shares outstanding (mn)	13,072
52-week range (IDR)	1,805-2,440
3M average daily vol. ('000)	21,773
3M average daily val. (IDR mn)	46,806

Shareholders (%)

Axiata Investments	66.2
Public	33.3

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	1.3	7.4	2.2

Analyst
Devi Harjoto
Devi.harjoto@kbvalbury.com

EXCL's FY23 performance mostly in-line with ours/consensus estimates, arriving at 97.6%-106.5% thanks to solid operational metrics. This was demonstrated by strong top-line growth of 10.9% yoy, or higher than management's target of high-single digit growth, attributable to continued price repair and stable subs qoq/yoy. Nevertheless, EBITDA margin was slightly down to 47.5% in 4Q23 amid higher core cost due to S&M as well as infrastructure costs. Management expects to conclude subs transfer from LINK by 2H24. Maintain BUY with TP of IDR3,090 per share (previously: IDR2,950).

Generally in-line yet qoq bottom-line dragged by one-off tax

EXCL's 4Q23 EBITDA was flattish, coming in at IDR4.01tn which brought FY23 EBITDA at IDR15.53tn. This figure represented 102.7%/100.8% of ours/consensus. Nevertheless, EBITDA margin was eroded in qoq to 47.5% in 4Q23 on the back of higher core costs on sales and marketing as well as infrastructure expenses. Despite that, FY23 EBITDA rose slightly by 47bps to 48.0%. On the other hand, 4Q23 net profit declined 27.6% qoq to IDR261bn, dragged by one-off tax expenses.

Solid operational metrics

On top-line, EXCL's 4Q23 net revenue edged up 4.3% qoq to IDR8.46tn, helped by managed IT service as well as data revenue. This also brought net revenue to reach IDR32.3tn in FY23, which grew 10.9% and beat ours/consensus by 2.8%/2.6%. This was supported by solid operational metrics as blended ARPU climbed to IDR45.8K/ sub in 4Q23 thanks to price adjustment carried out in Nov '23 and growing high quality subs. Meanwhile, EXCL managed to maintain its subs number at 57.5mn in 4Q23, which above its peers, in our view. Furthermore, data yield was also stabilized at IDR3.04K/GB, in-line with industry that indicated sustainable market repair.

In addition, the company also recorded a significant growth for its home connect to 235K, which almost doubled yoy in-line with accelerating fiber deployment that reached 2mn home passes as of FY23 and expansions to 56 new cities yoy. This made up 75% of convergence penetration last year.

On track to capture attractive FBB market

EXCL expects to complete subs transfer from LINK and transformation by 2H24 as it is still subject of ongoing approval process. Should it be concluded, EXCL is on position to become one of the country's largest FBB players through its XL Home product. Meanwhile, management guides for high single digit growth in '24, which is in-line with our forecast on expectation of stabilized market competition. Furthermore, EBITDA margin is expected to approach c. 50% level in '24.

Reiterate BUY on better market environment

Maintain our BUY call with a target price of IDR3,090, implying 3.0x 2024F EV/EBITDA or above -1SD 5-year historical mean as we lift our revenue/EBITDA forecasts by 1.4-2.2% for '24. Meanwhile, it is currently trading at 2.5 '24F EV/EBITDA or above -2SD 5-year historical mean. Risks to our call included 1) competition in mobile; 2) lower-than-expected EBITDA margin on the back of core cost pressure; 3) leverage risks. On the other hand, we identify potential upside risks stemming from 1) an upside in pricing; and 2) improving leverage profile.

Exhibit 1 : Key Statistics

Year end Dec (IDR bn)	2022A	2023A	2024F	2024F	2026F
Revenue (IDR bn)	29,142	32,323	34,178	36,141	38,735
EBITDA (IDR bn)	13,879	15,529	16,454	17,465	18,878
Operating profit (IDR bn)	3,658	4,380	4,828	5,172	5,704
Net profit (IDR bn)	1,109	1,271	1,709	1,869	2,110
EPS (IDR)	85.8	98.3	132.1	144.5	163.2
ROAA (%)	1.4	1.5	2.0	2.1	2.2
ROAE (%)	4.9	4.9	6.4	6.8	7.4
PER (x)	24.2	21.2	15.7	14.4	12.7
PBV (x)	1.1	1.0	1.0	1.0	0.9
EV/EBITDA (x)	2.8	2.4	2.3	2.2	2.0

Sources: Company, KBVS Research

Exhibit 2: Financial Summary
EXCL's FY23 results

(IDR Bn)	FY2023	FY2022	YoY (%)	4Q23	4Q22	YoY (%)	3Q23	QoQ (%)	2023F	% 23F	Cons	% of Cons
Net Revenue	32,323	29,142	10.9	8,455	7,547	12.0	8,103	4.3	31,450	102.8	31,509	102.6
Data	29,401	26,547	10.8	7,680	6,836	12.3	7,311	5.0				
Legacy	1,005	1,049	-4.2	226	256	-12.0	246	(8.1)				
Interconnection service	1,430	1,365	4.8	409	359	14.1	429	(4.6)				
Other telecommunication	501	212	136.6	143	105	36.5	121	17.4				
(-) Discount	-15	-31	-53.2	-2	-9	-74.0	-4	(40.8)				
Expenses/Income	(27,587)	(25,127)	9.8	(7,188)	(6,549)	9.7	(6,879)	4.5				
Operating profit	4,380	3,658	19.7	1,150	962	19.5	1,146	0.3				
EBITDA	15,529	13,879	11.9	4,013	3,823	5.0	4,025	(0.3)	15,126	102.7	15,405	100.8
Other income/expenses	(2,675)	(2,305)	16.1	(696)	(802)	-13.3	(699)	(0.4)				
Pre-tax income	1,705	1,353	26.0	454	160	184.4	447	1.5				
Taxes	(420)	(232)	81.2	(188)	(27)	592.0	(86)	118.3				
Attributable profit	1,271	1,109	14.6	261	128	103.1	360	(27.6)	1,194	106.5	1,303.0	97.6
Recurring profit	1,436	1,470	-2.3	301	99	204.6	401	(24.9)	1,194	120.2	1,303.0	110.2

Margins (%)

Operating margin	13.6	12.6		13.6	12.7		14.1	
EBITDA margin	48.0	47.6		47.5	50.7		49.7	
Net Margin	3.9	3.8		3.1	1.7		4.4	

Operational KPI

# of subs	57.5	57.5	0.0	57.5	57.5	0.0	57.5	-
Blended ARPU	44,067	39,995	10.2	45,829	41,114	11.5	43,808	4.6
Data traffic	9,638	7,991	20.6	2,529	2,106	20.1	2,453	3.1
Data yields	3,050.6	3,322.1	-8.2	3,036.7	3,050.6	-0.5	2,980.5	1.9
Avg. data usage/ user/month	14.0	11.6	20.6	14.7	12.2	20.1	14.2	3.1

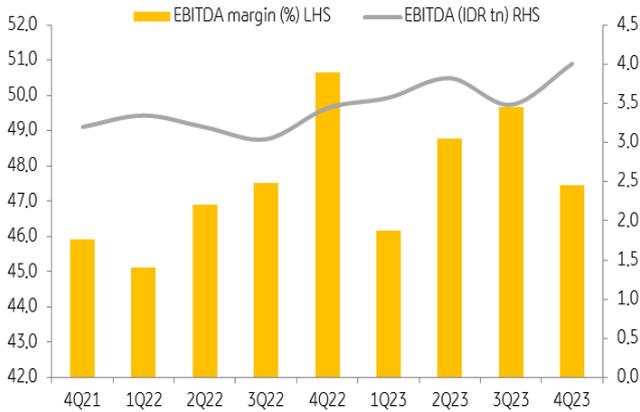
Source: Company, Bloomberg, KBVS Research

Exhibit 3: Forecast revisions

	New		Old		Changes		BBG consensus		New VS BBG	
	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E
Revenue	34,178	36,141	33,443	35,266	2.2	2.5	34,211	36,279	(0.1)	(0.4)
EBITDA	16,454	17,465	16,223	17,269	1.4	1.1	16,939	18,000	(2.9)	(3.0)
Net profit	1,709	1,869	1,524	1,849	12.1	1.1	1,727	2,206	(1.1)	(15.3)

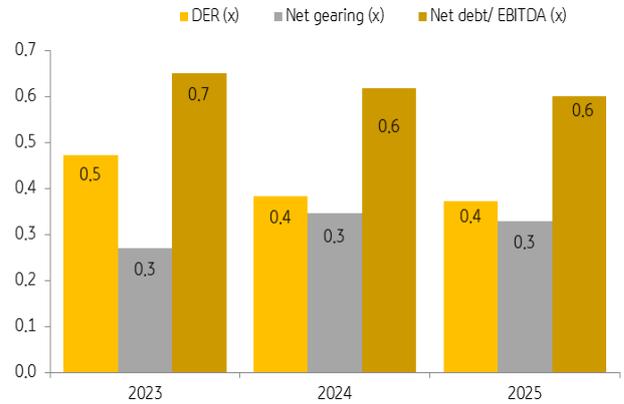
Source: Company, Bloomberg, KBVS Research

Exhibit 4: EXCL's EBITDA margin



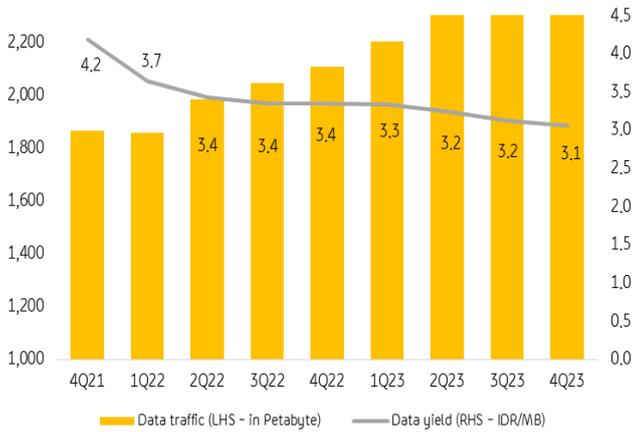
Source: Company, KBVS Research

Exhibit 5: Leverage profile



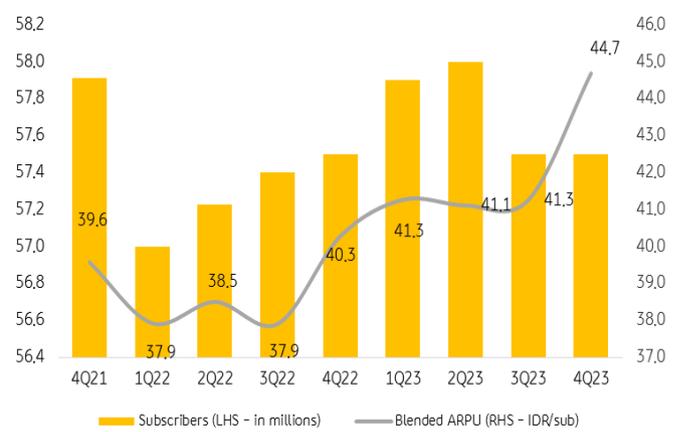
Source: Company, KBVS Research

Exhibit 6: Quarterly data yield and traffic



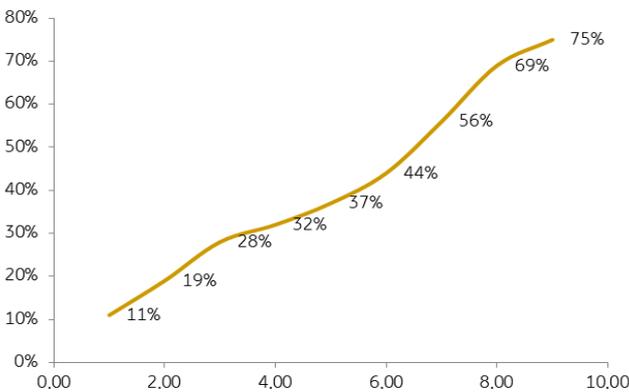
Source: Company, KBVS Research

Exhibit 7: EXCL's subscribers and ARPU



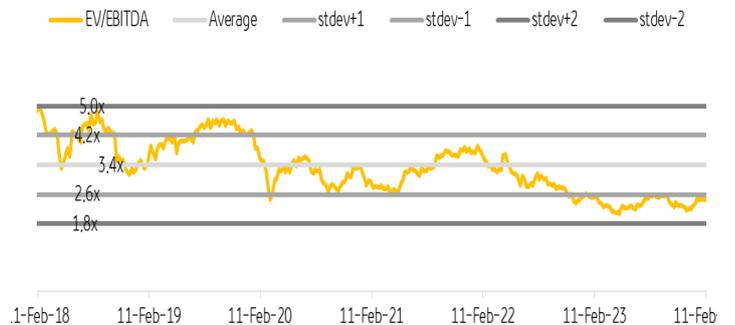
Source: Company, KBVS Research

Exhibit 8: Convergence penetration



Source: Company, KBVS Research

Exhibit 9: Currently trading above -2SD 5-year mean



Source: Company, Bloomberg

FINANCIAL TABLES

Exhibit 10: Profit & Loss summary

Year End Dec (IDR bn)	2022A	2023A	2024F	2024F	2026F
Net Revenue	29,142	32,323	34,178	36,141	38,735
Costs	(25,127)	(27,587)	(28,950)	(30,546)	(32,578)
Operating profit	3,658	4,380	4,828	5,172	5,704
EBITDA	13,879	15,529	16,454	17,465	18,878
Net finance income/expenses	(2,666)	(2,840)	(2,746)	(2,913)	(3,139)
Other income/expenses	(2,305)	(2,675)	(2,526)	(2,653)	(2,860)
Profit before income tax	1,353	1,705	2,303	2,519	2,844
Tax benefit (expenses)	(232)	(420)	(576)	(630)	(711)
Net profit	1,109	1,271	1,709	1,869	2,110

Source: Company, KBVS Research

Exhibit 11: Balance sheet

Year End Dec (IDR bn)	2022A	2023A	2024F	2024F	2026F
Current Assets					
Cash and cash equivalents	5,184	966	1,169	1,409	1,452
Trade receivables	738	1,386	1,056	1,010	1,204
Other current assets	4,486	4,822	3,122	3,014	3,293
Total Asset	10,408	7,174	5,346	5,433	5,949
Non-current assets					
Fixed assets	60,474	63,890	66,647	70,474	75,534
Other non-current assets	16,396	16,624	17,062	16,849	17,045
Total non-current assets	76,869	80,515	83,709	87,324	92,579
Total assets	87,278	87,688	89,056	92,756	98,528
Current liabilities					
Trade payables	11,337	9,383	10,116	10,115	11,016
Taxes payables	154	187	194	205	219
Accrued expenses	563	633	649	687	736
Short term debts	10,919	6,877	8,977	9,433	10,045
Other current liabilities	3,377	3,063	3,303	3,482	3,718
Total current liabilities	26,351	20,142	23,240	23,921	25,735
Non-current liabilities					
Long-term debts	33,041	39,041	35,887	37,767	40,414
Other non-current liabilities	2,112	2,000	2,495	2,590	2,737
Total non-current liabilities	35,153	41,041	38,382	40,357	43,151
Shareholders' equity	25,643	26,360	27,284	28,323	29,480
Total liabilities and equity	87,278	87,688	89,056	92,756	98,528

Source: Company, KBVS Research

Exhibit 9: Cash flow

Year End Dec (IDR bn)	2022A	2023A	2024F	2024F	2026F
Net profit	1,109	1,271	1,709	1,869	2,110
Depreciation	10,577	11,505	12,025	12,716	13,627
Changes in working capital	599	(3,150)	3,027	380	728
CF from operating activities	12,285	9,626	16,760	14,965	16,466
Investment in fixed assets	(19,131)	(14,765)	(14,620)	(16,371)	(18,504)
Others	(3,295)	(386)	(600)	41	(378)
CF from investing activities	(22,427)	(15,150)	(15,220)	(16,330)	(18,883)
Dividends paid	(544)	(549)	(780)	(826)	(948)
Debt raised/ repaid	8,311	1,958	(1,054)	2,335	3,259
Others	4,894	(104)	495	96	149
CF from financing activities	12,661	1,306	(1,338)	1,605	2,460
Change in cash flow	2,520	(4,218)	203	240	43
Cash and cash equivalents, beginning	2,664	5,184	966	1,169	1,409
Cash and cash equivalents, ending	5,184	966	1,169	1,409	1,452

Source: Company, KBVS Research

Exhibit 10: Ratio analysis

Year End Dec	2022A	2023A	2024F	2024F	2026F
Operating profit margin (%)	12.6	13.6	14.1	14.3	14.7
EBITDA margin (%)	47.6	48.0	48.1	48.3	48.7
Net profit margin (%)	3.8	4.0	5.1	5.2	5.5
Receivable turnover (x)	46.2	30.4	28.0	35.0	35.0
Payable turnover (x)	2.3	2.7	3.0	3.0	3.1
ROAA (%)	1.4	1.5	2.0	2.1	2.2
ROAE (%)	4.9	4.9	6.4	6.8	7.4
ROIC (%)	2.9	2.9	4.0	4.1	4.4
Debt/ Equity (x)	1.7	1.7	1.6	1.7	1.7
Net debt/Equity (x)	1.5	1.7	1.6	1.6	1.7
Net debt/ EBITDA (x)	2.8	2.9	2.7	2.6	2.6
Interest coverage (x)	5.0	5.3	5.8	5.9	5.9
EPS (IDR)	85.8	98.3	132.1	144.5	163.2
BV/Share (IDR)	1,961.8	2,016.7	2,087.4	2,166.8	2,255.4

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