

Solid '24 results; Merger focus for '25

14 February 2025



EXCL IJ
BUY

Sector	Telecomm.
Price at 13 February 2025 (IDR)	2,280
Price target (IDR)	2,900
Upside/Downside (%)	27.2

Stock Information

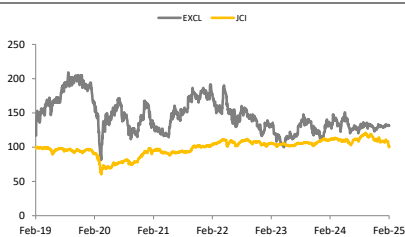
XL Axiata is a telecommunication company in Indonesia, covering around 95% of Indonesian population as of 2019. It is subsidiary of Malaysia-based Axiata Group, in which its business lines are focused on mobile communication, fixed broadband and IT business solution.

Market cap (IDR bn)	29,932
Shares outstanding (mn)	13,128
52-week range (IDR)	2,070-2,650
3M average daily vol. ('000)	20,133
3M average daily val. (IDR mn)	45,335

Shareholders (%)

Axiata Investments	66.2
Public	33.3

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	0.00	5.09	-1.73

Analyst

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EXCL's FY24 performance largely met our and consensus expectations (arriving within a range of 98.6% to 102.2%). As the merger progresses, we will revisit our financial modeling and valuation once the combined financial performance becomes clearer. We believe this merger has the potential to generate significant cost-synergies and substantially enhance EXCL's long-term value. The progress of the EXCL-FREN merger will be a key driver of performance and investor sentiment this year, with completion expected in 1H25. Maintain our BUY call with a target price of IDR2,900, based on a 2.7x '25F EV/EBITDA (-1SD 7yrs-historical mean).

Strong '24 performance fueled by data growth

EXCL's FY24 revenue reached IDR34.4 tn, a 6.4% yoy increase, fueled by 7.4% growth in data revenue. This growth was supported by a 9.4% rise in data payload and a 2.3% increase in subscribers. ARPU also improved, rising 4.9% to IDR43.0k. In 4Q24, revenue grew 8.7% qoq to IDR9.0 tn, driven by an 8.8% increase in data revenue. EBITDA increased 5.9% qoq to IDR4.6 tn in 4Q24, although the EBITDA margin contracted to 50.8% due to higher cash costs. Despite the margin contraction in the quarter, FY24 EBITDA grew 14.1% yoy to IDR17.7 tn, with the EBITDA margin improving to 51.5%. The integration of LINK's FBB business in 3Q24 significantly boosted operating profit, which grew 27.6% yoy for FY24 and 20.1% qoq in 4Q24. This contributed to a 72.2% qoq surge in net profit to IDR502.3 bn in 4Q24. As a result, FY24 net profit increased 43.1% yoy to IDR1.8 tn.

Withholds '25F guidance amid merger review; Faces competition challenges

The proposed merger between EXCL and FREN is currently under review by the Ministry of Communication & Digital Affairs and the Financial Services Authority, with a final decision expected by March 2025. If regulatory approval is granted, EXCL plans to hold an EGMS on March 21, 2025, to seek shareholder ratification.

During its latest earnings call, EXCL's management announced that it would withhold financial guidance for '25F due to the ongoing merger review. The company emphasized the heightened competition in MBB markets, characterized by price wars driven by MNOs seeking to expand their respective market share. This is particularly evident in the pricing of entry-level packages by current MNOs. The FBB segment also faces intensified competition from new entrants, many of whom are not even MNOs, offering lower prices and posing challenges to EXCL's existing FBB business.

Reiterate BUY with TP of IDR2,900

Maintain our BUY call with a target price of IDR2,900, based on a 2.7x '25F EV/EBITDA (-1SD 7yrs-historical mean), while currently trading at 2.3x EV/EBITDA, representing 33.8% disc. to its 7yrs mean. As the merger progresses, we will revisit our financial modeling and valuation once the combined financial performance becomes clearer, believing this merger has the potential to generate significant cost-synergies and substantially enhance EXCL's long-term value.

Exhibit 1: Key Statistics

Year end Dec (IDR bn)	2023A	2024A	2025F	2026F	2027F
Net Revenue (Rp)	32,323	34,392	37,273	39,705	41,954
EBITDA (Rp)	15,529	17,711	18,562	19,720	20,883
Operating profit	4,380	5,589	5,757	6,311	6,958
Net profit (Rp)	1,271	1,819	2,106	2,336	2,688
EPS (Rp)	97.8	140.7	162.2	179.8	206.9
ROA	1.5	2.1	2.4	2.5	2.7
ROE	4.9	7.0	8.0	8.4	9.1
PER (x)	23.3	16.2	14.1	12.7	11.0
PBV (x)	1.1	1.1	1.1	1.0	1.0
EV/EBITDA (x)	2.6	2.4	2.3	2.3	2.1

Source: Company, KBVS Research

Exhibit 2: Financial Summary

EXCL's FY24 results	FY24	FY23	YoY (%)	4Q24	4Q23	YoY (%)	3Q24	QoQ (%)	2024F	% 24F	Cons	% of Cons
Net Revenue	34,392	32,323	6.4	9,030	8,455	6.8	8,310	8.7	34,123	100.8	34,657	99.2
Data	31,578	29,401	7.4	8,201	7,680	6.8	7,539	8.8				
Legacy	899	1,005		206	226		210					
Interconnection service	592	1,430		424	409		343					
Other telecommunication	1,323	501		199	143		218					
(-) Discount	0	-15		0	-2		0					
Expenses/Income	-28,634	-27,587	3.8	-7,502	-7,188	4.4	-7,029	6.7				
Operating profit	5,589	4,380	27.6	1,531	1,150	33.1	1,274	20.1				
EBITDA	17,711	15,529	14.1	4,585	4,013	14.3	4,332	5.9	17,332	102.2	17,543	101.0
Other income/expenses	-3,161	-2,675		-857	-696		-859					
Pre-tax income	2,427	1,705		673	454		416					
Taxes	-580	-420		-161	-188		-118					
Attributable profit	1,819	1,271	43.1	502	261	92.8	292	72.2	1,800	101.0	1,845	98.6
Margins (%)												
Operating margin	16.2	13.6		16.9	13.6		15.3					
EBITDA margin	51.5	48.0		50.8	47.5		52.1					
Net Margin	5.3	3.9		5.6	3.1		3.5					
Operational KPI												
# of subs	58.8	57.5	2.3	58.8	57.5	2.3	58.6	0.3				
Blended ARPU	43	41	4.9	41	43	-4.7	41	-				
Data traffic (PB)	10,547	9,638	9.4	2,724	2,529	7.7	2,554	6.7				
Data yields	3.0	3.1	-1.8	3.0	3.0	-0.8	3.0	2.0				
Avg. data-usage (GB/month/user)	14.9	14.0	7.0	15.4	14.7	5.3	14.1	9.4				

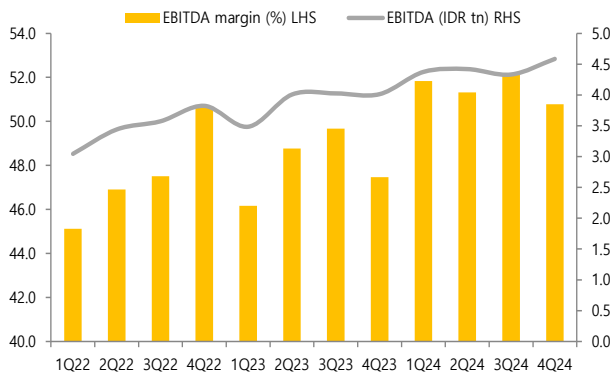
Source: Company, Bloomberg, KBVS Research

Exhibit 3: Forecast Revision

	New		Old		Changes		BBG consensus		New VS BBG	
	2025E	2026E	2025E	2026E	2025E	2026E	2025E	2026E	2025E	2026E
Revenue	37,273	39,705	36,285	38,407	2.7	3.4	37,573	38,675	(0.8)	2.7
EBITDA	18,562	19,720	18,362	19,324	1.1	2.0	18,701	19,899	(0.7)	(0.9)
Net profit	2,106	2,336	2,060	2,174	2.3	7.4	2,162	2,497	(2.6)	(6.5)

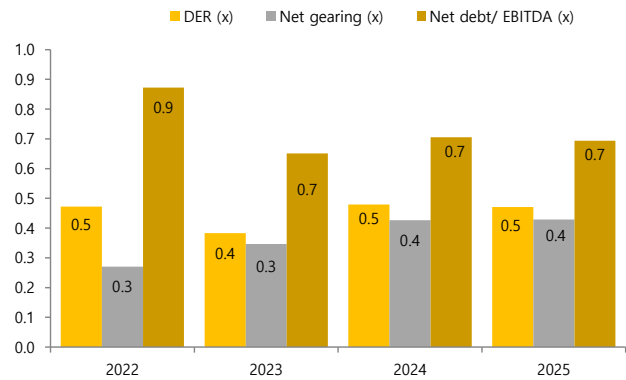
Source: Company, Bloomberg, KBVS Research

Exhibit 4: EXCL's EBITDA margin



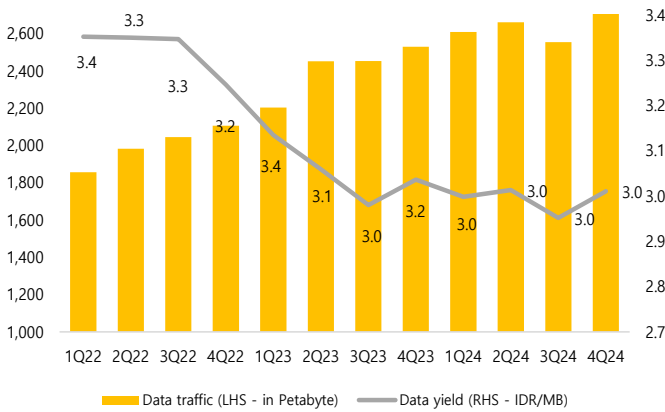
Source: Company, KBVS Research

Exhibit 5: Leverage profile



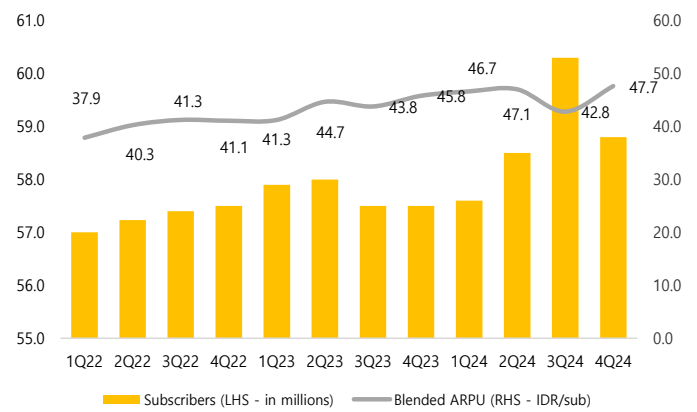
Source: Company, KBVS Research

Exhibit 6: Quarterly data yield and traffic



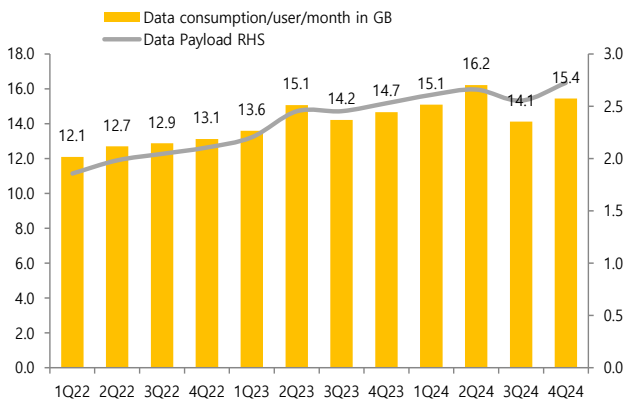
Source: Company, KBVS Research

Exhibit 7: EXCL's subscribers and ARPU



Source: Company, KBVS Research

Exhibit 8: Data consumption/user/month & data payload



Source: Company, KBVS Research

Exhibit 9: Currently trading slightly below avg. 7yrs mean



Source: Company, Bloomberg

FINANCIAL TABLES

Exhibit 10: Profit & Loss summary

Year End Dec (IDR bn)	2023A	2024A	2025F	2026F	2027F
Net Revenue	32,323	34,392	37,273	39,705	41,954
Costs	(27,587)	(28,634)	(31,121)	(32,967)	(34,548)
Operating profit	4,380	5,589	5,757	6,311	6,958
EBITDA	15,529	17,711	18,562	19,720	20,883
Net finance income/ cost	(2,840)	(3,033)	(3,188)	(3,458)	(3,649)
Other income/expenses	(2,675)	(3,161)	(2,960)	(3,210)	(3,390)
Pretax profit	1,705	2,427	2,797	3,101	3,568
Income tax	(420)	(580)	(668)	(740)	(852)
Net profit	1,271	1,819	2,106	2,336	2,688

Source: Company, KBVS Research

Exhibit 11: Balance sheet

Year End Dec (IDR bn)	2023A	2024A	2025F	2026F	2027F
Current assets					
Cash and cash equivalents	966	1,387	1,140	1,211	1,407
Trade receivables	1,386	1,863	1,865	2,106	2,090
Other current assets	4,822	5,187	5,341	5,867	6,443
Total current assets	7,174	8,436	8,346	9,184	9,939
Non current assets					
Fixed assets	63,890	61,034	65,974	71,072	74,679
Other non current assets	16,624	16,708	17,538	17,303	17,612
Total non current assets	80,515	77,743	83,512	88,376	92,291
Total assets	87,688	86,179	91,857	97,559	102,229
Current liabilities					
Trade payables	9,383	8,251	9,544	8,748	8,117
Taxes payable	187	331	211	225	238
Accrued expenses	633	607	658	754	797
Short term debts	6,877	9,090	9,629	9,992	11,398
Other current liabilities	3,063	2,738	2,963	3,765	3,965
Total current liabilities	20,142	21,017	23,006	23,485	24,514
Non current liabilities					
Long term debts	39,041	36,998	38,640	42,220	44,052
Other non current liabilities	2,000	1,942	2,671	2,806	2,909
Total non-current liabilities	41,041	38,940	41,311	45,026	46,961
Shareholder equity	26,360	26,060	27,370	28,869	30,564
Total liabilities and equity	87,688	86,179	91,857	97,559	102,229

Source: Company, KBVS Research

Exhibit 12: Cash flow

Year End Dec (IDR bn)	2023A	2024A	2025F	2026F	2027F
Net profit	1,271	1,819	2,106	2,336	2,688
Depreciation	11,505	12,291	13,201	13,835	14,373
Changes in working capital	(3,150)	(2,181)	1,293	(651)	(936)
CF from operating activities	9,626	11,930	16,601	15,520	16,125
Investment in fixed assets	(14,765)	(9,218)	(17,969)	(18,744)	(17,796)
Others	(386)	(301)	(1,001)	45	(492)
CF from investing activities	(15,150)	(9,519)	(18,970)	(18,699)	(18,288)
Dividends paid	(549)	(635)	(812)	(852)	(1,008)
Debt raised/ repaid	1,958	170	2,181	3,943	3,238
Others	(104)	(1,524)	753	160	129
CF from financing activities	1,306	(1,990)	2,122	3,251	2,358
Change in cash flow	(4,218)	421	(247)	72	195
Cash and cash equivalent, beginning	5,184	966	1,387	1,140	1,211
Cash and cash equivalent, ending	966	1,387	1,140	1,211	1,407

Source: Company, KBVS Research

Exhibit 13: Ratio analysis

Year End Dec	2023A	2024A	2025F	2026F	2027F
Operating profit margin	13.6	16.2	15.4	15.9	16.6
EBITDA margin	48.0	51.5	49.8	49.7	49.8
Net profit margin	4.0	5.4	5.7	5.9	6.5
Receivables turnover (x)	30.4	21.2	20.0	20.0	20.0
Payable turnover (x)	2.7	3.3	3.5	3.6	4.1
ROA	1.5	2.1	2.4	2.5	2.7
ROE	4.9	7.0	8.0	8.4	9.1
ROIC	2.9	4.1	4.5	4.6	5.0
Debt/Equity	1.7	1.8	1.8	1.8	1.8
Net debt/Equity	1.7	1.7	1.7	1.8	1.8
Net debt/EBITDA	2.9	2.5	2.5	2.6	2.6
Interest coverage (x)	5.3	5.7	5.7	5.6	5.7
EPS (Rp)	97.8	140.7	162.2	179.8	206.9
BV/Share (Rp)	2,007.9	1,985.1	2,084.9	2,199.1	2,328.2

Source: Company, KBVS Research

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