

Resilient 9M24; '25F EBITDA to expand

1 November 2024



ISAT's 9M24 overall performance largely met our and consensus expectations, arriving within a range of 74.2% to 76.3%, but net profit below ours' (71.2%) and cons' (72.6%), due to higher interest costs. Despite a modest 0.7% yoy decrease in subscribers, data usage surged 12.6% yoy, fueled by reliable network quality, as indicated by a 13.4% increase in avg. data usage per subscriber. Maintain our BUY call with a target price of IDR3,250, based on a 3.8x '25F EV/EBITDA (+0.5SD 5yrs-historical mean), while currently trading at 2.1x EV/EBITDA, representing 28.1% disc. to its 5yrs mean.

ISAT IJ

Sector	Telecomm.
Price at 31 Oct 2024 (IDR)	2,500
Price target (IDR)	3,250
Upside/Downside (%)	30.0

Stock Information

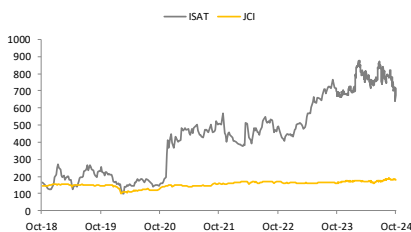
PT Indosat Tbk, trading as Indosat Ooredoo Hutchison, is a telecommunications provider in Indonesia which is owned by Ooredoo Hutchison Asia, a joint venture between Ooredoo and Hutchison Asia Telecom Group since 2022.

Market cap (IDR bn)	74,815
Shares outstanding (mn)	32,248
52-week range (IDR)	2,190-3,013
3M average daily vol. ('000)	17,831
3M average daily val. (IDR mn)	57,237

Shareholders (%)

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

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	-12.04	-13.27	0.87

Analyst

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Impressive 9M24 growth despite 3Q24 decline

ISAT's revenue for 9M24 reached IDR41.81 tn, a 11.6% yoy increase, driven by a 9.0% yoy growth in data revenue. Despite a 4.6% qoq decline in EBITDA to IDR6.59 tn in 3Q24, cumulative 9M24 EBITDA still managed to grow 14.5% yoy to IDR20.0 tn. On a qoq basis, EBITDA margin decreased to 47.6% in 3Q24, from 48.8%, due to increased S&M expenses and cost of services. Aligning with the qoq lower revenue, 3Q24 net profit dropped 20.6% qoq. In 9M24, net profit still managed to grow 39.1% yoy to IDR3.88 tn.

Cost synergies to drive '25F EBITDA margin

After ISAT's 9M24 revenue and EBITDA aligned with our expectations, we maintained our '24F revenue and EBITDA forecasts. However, due to higher-than-anticipated interest costs stemming from increased debt for network expansion, we revised our '24F net profit forecast downward to IDR5.17 tn, reflecting a 4.5% increase in estimated interest costs to IDR4.60 tn. For '25F, we also maintained our revenue forecast for ISAT, inline with the industry expectations of mid-single digit growth. Despite potential seasonal impacts from Ramadan and Eid al-Fitr in 1Q25F, we anticipate moderate data-usage growth, consistent with the historical trend of approximately 4.9% qoq during these festivities. We project a 6.5% increase in ISAT's '25F revenue, driven by a 9.5% surge in data-usage, supported by the company's expanding and reliable network. We expect cash-costs to grow at a slower rate of 5.7% compared to the 8.7% average increase over the past 7yrs, thanks to FBB cost-synergies, leading to an EBITDA margin of 48.8% in '25F. We raised our '25F interest cost forecast by 4.2% due to the potential need for substantial external funding for network rollout, resulting in a slight 1.6% downward adjustment to our '25F net profit forecast, now estimated at IDR5.83 tn.

BUY reiterated, enhanced yoy cost control

Maintain our BUY call with a target price of IDR3,250, based on a 3.8x '25F EV/EBITDA (+0.5SD 5yrs-historical mean), while currently trading at 2.1x EV/EBITDA, representing 28.1% disc. to its 5yrs mean. While we anticipate upside potential from improved yoy cost management, the industry outlook faces risks from potential increased competition in FBB market, higher opex, and network rollout challenges.

Exhibit 1: Key Statistics

Year end Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Revenue (IDR bn)	46,752	51,229	54,365	57,914	61,146
EBITDA (IDR)	19,469	23,938	26,327	28,272	29,996
Net profit (IDR)	4,723	4,506	5,168	5,829	6,598
Normalized net profit (IDR)	1,459	3,561	5,168	5,829	6,598
EPS (IDR)	146	140	160	180.8	204.6
EPS growth	-30.0	-4.6	14.7	12.8	13.2
ROA	5.3	3.9	4.4	4.8	5.3
ROE	6.3	3.8	4.0	4.1	4.2
PER (x)	16.5	17.2	15.0	13.3	11.8
PBV (x)	3.1	2.9	2.6	2.4	2.2
EV/EBITDA (x)	4.6	3.6	3.2	3.0	2.8

Source: Company, KBVS Research

Exhibit 2: Financial Summary

ISAT's 9M24 results (IDR bn)	9M24	9M23	YoY (%)	3Q24	3Q23	YoY (%)	2Q24	QoQ (%)	2024F	% to '24F	Cons'	% of Cons'
Revenue	41,812	37,462	11.6	13,836	12,788	8.2	14,141	(2.2)	54,365	76.9	55,550	75.3
Expenses	-33,344	-30,396	9.7	-11,120	-10,487	6.0	-11,154	(0.3)				
EBIT	8,468	7,067	19.8	2,716	2,301	18.0	2,987	(9.1)	11,206	75.6	11,380	74.4
EBITDA	20,000	17,467	14.5	6,588	6,084	8.3	6,903	(4.6)	26,327	76.0	26,752	74.8
Other income (exp.)	-3,170	-3,465	-8.5	-1,139	-1,119	1.8	-1,034	10.1				
Pre-tax income	5,298	3,602	47.1	1,577	1,182	33.4	1,953	(19.3)				
Taxes	-1,139	-616	84.9	-342	-240	42.9	-420	(18.4)				
Reported net profit	3,878	2,787	39.1	1,143	879	30.1	1,440	(20.6)	5,168	75.0	5,169	75.0
Normalized net profit	3,878	2,787	39.1	1,143	879	30.1	1,440	(20.6)				
Margins (%)												
EBIT Margin	20.3	18.9		19.6	18.0		21.1					
EBITDA margin	47.8	46.6		47.6	47.6		48.8					
Net Margin	9.3	7.4		8.3	6.9		10.2					
Operational metrics												
# of subs	98,700	99,400	-0.7	98,700	99,400	(0.7)	100,900	-2.2				
Blended ARPU (IDR/subs)	37,700	35,400	6.5	37,200	34,700	7.2	38,400	-3.1				
Data traffic (TB)	12,050,000	10,701,000	12.6	4,085,000	3,674,000	11.2	4,107,000	-0.5				
Avg. data usage/subs	13.6	12.0	13.4	13.8	12.3	12.0	13.6	1.7				
Data yields (IDR/MB)	2.8	2.8	-2.1	2.7	2.8	(2.7)	2.7	0.8				

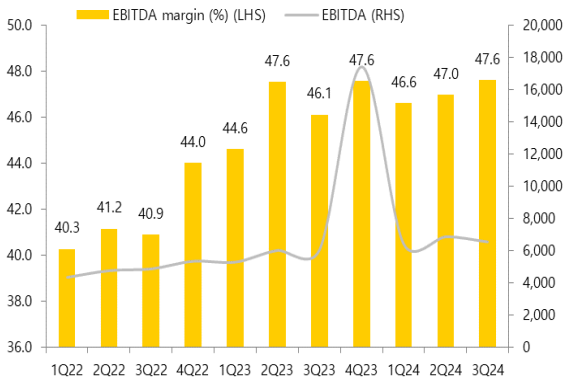
Source: Company, Bloomberg, KBVS Research

Exhibit 3: Forecast revisions

	New		Old		Changes		Consensus		New vs. consensus	
	2024F	2025F	2024F	2025F	2024F	2025F	2024F	2025F	2024F	2025F
Revenue	54,365	57,914	54,797	57,914	-0.8	0.0	55,550	59,181	-2.1	-2.1
EBITDA	26,327	28,272	26,537	28,272	-0.8	0.0	26,752	28,855	-1.6	-2.0
Net profit	5,168	5,829	5,449	5,924	-5.1	-1.6	5,169	6,242	0.0	-6.6

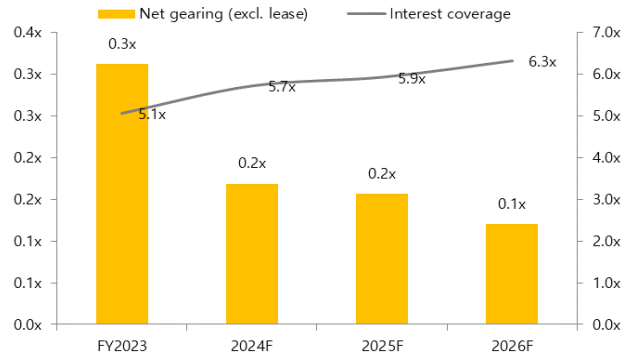
Source: Company, Bloomberg, KBVS Research

Exhibit 4: ISAT's EBITDA margin



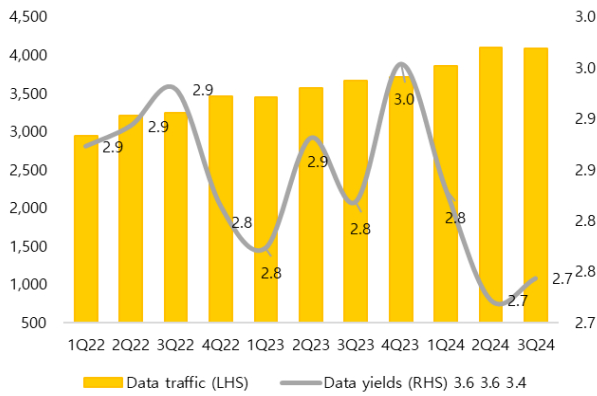
Source: Company, KBVS Research

Exhibit 5: Leverage metrics



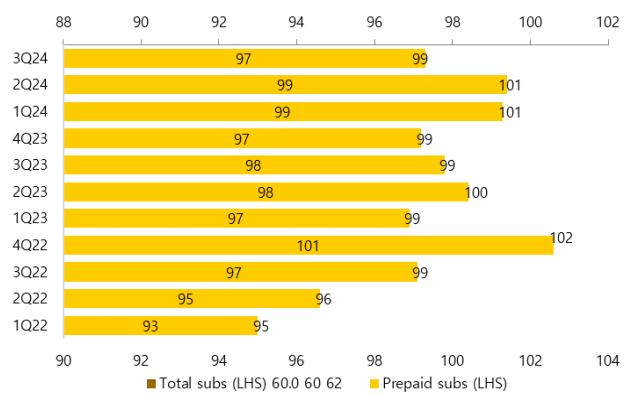
Source: Company, KBVS Research

Exhibit 6: Data traffic and yields qoq



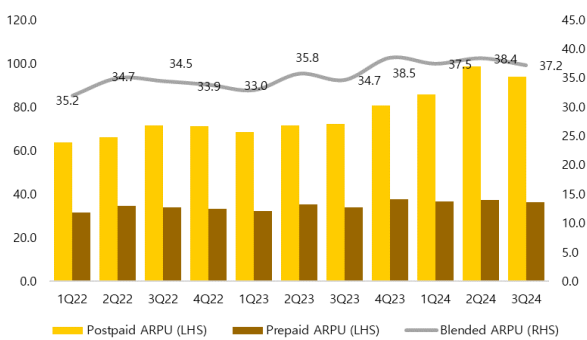
Source: Company, KBVS Research

Exhibit 7: Number of subscribers



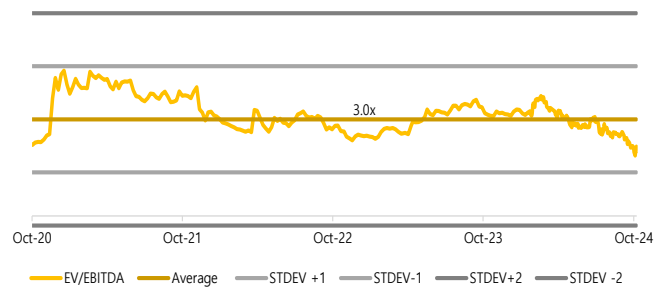
Source: Company, KBVS Research

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)	2022A	2023A	2024F	2025F	2026F
Revenue	46,752	51,229	54,365	57,914	61,146
Costs	-36,162	-40,801	-43,159	-45,408	-47,619
Operating profit	10,591	10,428	11,206	12,506	13,527
EBITDA	19,469	23,938	26,327	28,272	29,996
Net finance income/ cost	(4,227)	(4,394)	(4,356)	313	183
Other income/ expenses	172	(103)	0	0	0
Pretax profit	6,536	5,932	6,850	8,051	8,964
Income tax	(1,166)	(1,156)	(1,473)	(1,610)	(1,793)
Net profit	4,723	4,506	5,168	5,829	6,598
Normalized net profit	1,459	3,561	5,168	5,829	6,598

Source: Company, KBVS Research

Exhibit 11: Balance sheet

Year End Dec (IDR bn)	2022A	2023A	2024F	2024F	2026F
Current assets					
Cash and cash equivalents	9,508	5,190	8,253	7,181	7,070
Trade receivables	2,333	3,139	2,436	2,711	4,083
Other current assets	6,835	7,133	7,209	7,407	7,471
Total current assets	18,683	15,480	17,925	17,323	18,646
Non current assets					
Fixed assets	69,182	72,861	74,662	79,149	82,315
Other non current assets	25,792	26,382	26,311	26,412	26,530
Total non current assets	94,974	99,243	100,972	105,561	108,845
Total assets	113,657	114,722	118,897	122,885	127,491
Current liabilities					
Trade payables	850	746	981	833	965
Accrued expenses	3,625	4,088	4,211	4,295	4,381
Short term debts	4,269	2,487	2,574	2,635	2,639
Other current liabilities	27,130	26,814	27,047	28,174	28,874
Total current liabilities	35,874	34,134	34,814	35,937	36,859
Non current liabilities					
Long term debts	17,025	12,295	11,390	10,384	9,401
Other non current liabilities	29,390	34,584	35,614	36,014	36,750
Total non-current liabilities	46,415	46,879	47,004	46,398	46,151
Shareholder equity	31,369	33,709	37,079	40,550	44,482
Total liabilities and equity	113,657	114,722	118,897	122,885	127,491

Source: Company, KBVS Research

Exhibit 12: Cash flow

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Net profit	4,723	4,506	5,168	5,829	6,598
Depreciation	13,703	14,621	15,121	15,766	16,469
Changes in working capital	5,124	(937)	1,419	(83)	(888)
CF from operating activities	23,551	18,191	21,708	21,511	22,179
Investment in fixed assets	(37,370)	(18,300)	(16,922)	(20,253)	(19,635)
Others	(19,410)	(590)	71	(102)	(118)
CF from investing activities	(56,780)	(18,890)	(16,851)	(20,354)	(19,753)
Dividends paid	(2,000)	(2,062)	(2,067)	(2,332)	(2,639)
Debt raised/ repaid	8,828	(6,648)	(1,026)	(270)	(608)
Others	30,119	3,028	(768)	(1,959)	(1,930)
CF from financing activities	38,948	(3,620)	(1,794)	(2,228)	(2,538)
Change in cash flow	5,719	(4,318)	3,063	(1,071)	(112)
Cash and cash equivalent, beginning	3,789	9,508	5,190	8,253	7,181
Cash and cash equivalent, ending	9,508	5,190	8,253	7,181	7,070

Source: Company, KBVS Research

Exhibit 13: Ratio analysis

Year End Dec	2022A	2023A	2024F	2025F	2026F
Operating profit margin	22.7	20.4	20.6	21.6	22.1
EBITDA margin	41.6	46.7	48.4	48.8	49.1
Net profit margin	10.1	8.8	9.5	10.1	10.8
ROA	5.3	3.9	4.4	4.8	5.3
ROE	6.3	3.8	4.0	4.1	4.2
ROCE	6.1	5.6	6.1	6.7	7.3
ROIC	14.2%	13.1%	14.1%	14.9%	15.4%
Debt/Equity	2.0	1.8	1.6	1.4	1.3
Net debt/Equity	1.6	1.6	1.3	1.3	1.1
Net debt/EBITDA	2.4	2.0	1.7	1.7	1.6
Interest coverage (x)	4.5	5.1	5.7	5.9	6.3
EPS (Rp)	146.5	139.7	160.3	180.8	204.6
BV/Share (Rp)	972.7	1,045.3	1,149.8	1,257.4	1,379.4

Source: Company, KBVS Research

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