

## '25F revenue lowered; stronger margins ahead

2 May 2025



### ISAT IJ

Sector	Telecomm.
Price at 29 April 2025 (IDR)	1,750
Price target (IDR)	2,400
Upside/Downside (%)	37.1

### Stock Information

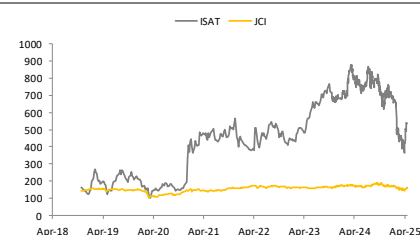
PT Indosat Tbk, trading as Indosat Ooredoo Hutchison, is a telecommunications provider in Indonesia which is owned by Ooredoo Hutchison Asia, a joint venture between Ooredoo and Hutchison Asia Telecom Group since 2022.

Market cap (IDR bn)	56,439
Shares outstanding (mn)	32,251
52-week range (IDR)	1,240-2,994
3M average daily vol. ('000)	29,071
3M average daily val. (IDR mn)	47,502

### Shareholders (%)

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

### Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	27.15	-20.60	-32.73

### Analyst

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ISAT's 1Q25 performance slightly missed both our and consensus expectations, reaching 22.4%-24.0% of estimates. Despite a 5.4% yoy decline in subscribers, data usage rose 1.7%, driving a 7.4% increase in monthly data consumption per user. However, data yield fell 4.9%, reflecting a shift toward more affordable data packages. Maintain our BUY call with a target price of IDR2,400, based on a 3.2x '25F EV/EBITDA, which is within 5yrs avg. historical mean.

### 1Q25 revenue declines, margins improve on cost control

ISAT reported 1Q25 revenue of IDR13.6 tn, down 1.9% yoy, driven by a 3.3% decline in data revenue following a 5.4% drop in total subscribers. Data traffic grew just 1.7% yoy, with 1Q25 data payload reaching only 21.8% of our '25F projection. EBITDA fell 1.4% yoy to IDR6.4 tn, though the margin improved to 47.2% from 47.0% in 1Q24 and 45.3% in 4Q24, supported by lower cash costs (-2.2% yoy, -7.0% qoq). Net profit rose 1.3% yoy to IDR1.3 tn and surged 27.0% qoq, driven by reduced interest expenses (-0.4% yoy, -2.6% qoq), lifting net margin to 9.7%, up from both 1Q24 and 4Q24.

### '25F margins improve despite lower revenue forecast

1Q25 total expenses declined 2.5% yoy, coming in 2.2% below our '25F forecast, driven by relatively stable CoS and a 2.2% yoy reduction in cash costs due to improved operational synergies. However, tight competition and weaker monetization in HBB segment led to a 5.4% yoy decline in subscribers. As a result, we have revised our '25F revenue down by 3.0% to IDR57.8 tn.

Operational synergies are expected to slow opex growth to 1.6% yoy (-2.2% in 1Q25), down from 4.8% average over the past 3yrs, supporting an improved '25F EBITDA margin of 48.1% (1Q25: 47.2%). Total expenses are now projected to rise just 2.5% in '25F, significantly below the 10.4% increase in '24.

The company's continued financial discipline resulted in lower interest costs in 1Q25 (-0.4% yoy, -2.6% qoq), inline with our '25F estimate, which we maintain at IDR4.6 tn. As a result, we project '25F net profit to grow 6.4% yoy to IDR5.2 tn, with an improved net margin of 9.0% ('24: 8.8%).

### Reiterate BUY with TP of IDR2,400

Maintain our BUY call with a revised target price of IDR2,400 (previously IDR2,700) following downward revisions to our '25F forecasts: revenue (-3.0%), EBITDA (-3.0%), and net profit (-7.1%). Our new TP implies a 3.2x '25F EV/EBITDA, while it is currently trades at 2.3x EV/EBITDA, representing a 26.5% discount to its 5yrs average. The company's strong operational synergies, healthy balance sheet, and robust operating cash flow highlight its resilience in the saturated MBB and FBB markets.

### Exhibit 1: Key Statistics

Year end Dec (IDR bn)	2023A	2024A	2025F	2026F	2027F
Revenue (IDR bn)	51,229	55,887	57,782	60,739	63,712
EBITDA (IDR)	23,938	26,375	27,803	29,311	31,255
Net profit (IDR)	4,506	4,911	5,223	5,662	6,558
Normalized net profit (IDR)	3,561	4,911	5,223	5,662	6,558
EPS (IDR)	140	152	162.0	175.6	203.3
EPS growth	-4.6	9.0	6.4	8.4	15.8
ROA	3.9	4.3	4.5	4.7	5.3
ROE	3.8	3.8	3.7	3.7	4.0
PER (x)	12.5	11.5	10.8	10.0	8.6
PBV (x)	2.9	2.6	2.4	2.3	2.1
EV/EBITDA (x)	2.8	2.5	2.3	2.2	2.0

Source: Company, KBVS Research

**Exhibit 2: Financial Summary**

ISAT's 1Q25 results (IDR bn)	1Q25	1Q24	YoY (%)	4Q24	QoQ (%)	2025F	% to '25F	Cons'	% of Cons'
<b>Revenue</b>	<b>13,578</b>	<b>13,835</b>	<b>(1.9)</b>	<b>14,075</b>	<b>(3.5)</b>	<b>59,571</b>	<b>22.8</b>	<b>58,741</b>	<b>23.1</b>
Cellular & Data	11,422	11,657	(2.0)	11,801	(3.2)				
Data	10,562	10,924	(3.3)	10,881	(2.9)				
Voice & SMS	166	239	(30.5)	199	(16.6)				
Others	1,353	1,254		1,338					
Discount	-659	-760		-617					
MIDI	1,961	1,971		2,079					
Fixed telecom.	195	207		194					
Expenses	-10,788	-11,069		-11,705					
EBIT	2,790	2,766	0.9	2,370	17.7				
<b>EBITDA</b>	<b>6,415</b>	<b>6,509</b>	<b>(1.4)</b>	<b>6,375</b>	<b>0.6</b>	<b>28,664</b>	<b>22.4</b>	<b>28,190</b>	<b>22.8</b>
Other income (exp.)	-1,031	-997		-935					
Pre-tax income	1,759	1,769		1,434					
Taxes	-347	-377		-321					
<b>Reported net profit</b>	<b>1,311</b>	<b>1,295</b>	<b>1.3</b>	<b>1,033</b>	<b>27.0</b>	<b>5,620</b>	<b>23.3</b>	<b>5,463</b>	<b>24.0</b>
Normalized net profit	1,311	1,262		1,033					
<b>Margins (%)</b>									
EBIT Margin	20.5	20.0		16.8					
EBITDA margin	47.2	47.0		45.3					
Net Margin	9.7	9.4		7.3					
<b>Operational metrics</b>									
# of subs	95,400	100,800	(5.4)	94,700	0.7				
Blended ARPU (IDR/subs)	39,200	37,500	4.5	38,500	1.8				
Data traffic (TB)	3,922,000	3,858,000	1.7	4,119,000	(4.8)				
Avg. data usage/subs	13.7	12.8	7.4	14.5	(5.5)				
Data yields (IDR/MB)	2.7	2.8	(4.9)	2.6	1.9				

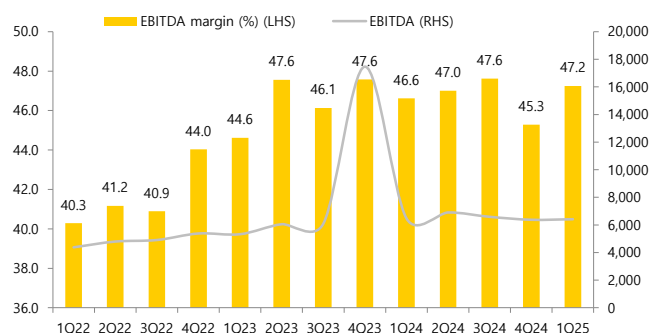
Source: Company, Bloomberg, KBVS Research

**Exhibit 3: Forecast revisions**

	New		Old		Changes		Consensus		New vs. consensus	
	2025F	2026F	2025F	2026F	2025F	2026F	2025F	2026F	2025F	2026F
Revenue	57,782	60,739	59,571	62,863	-3.0	-3.4	58,741	61,723	-1.6	-1.6
EBITDA	27,803	29,311	28,664	30,336	-3.0	-3.4	28,190	29,906	-1.4	-2.0
Net profit	5,223	5,662	5,620	6,152	-7.1	-8.0	5,463	6,451	-4.4	-12.2

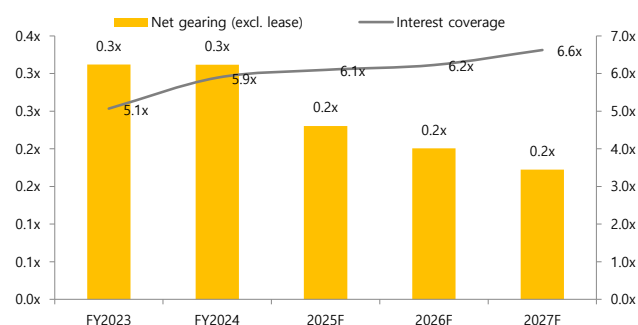
Source: Company, Bloomberg, KBVS Research

Exhibit 4: ISAT's EBITDA margin



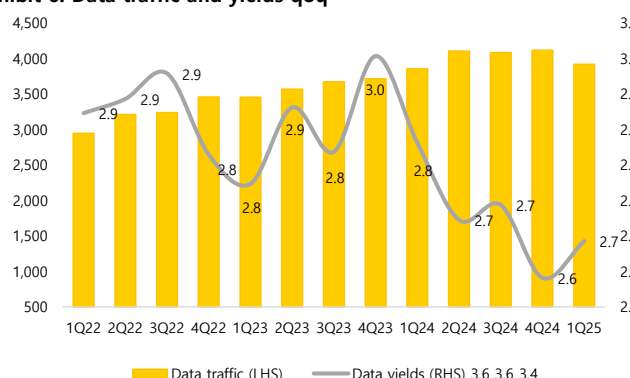
Source: Company, KBVS Research

Exhibit 5: Leverage metrics



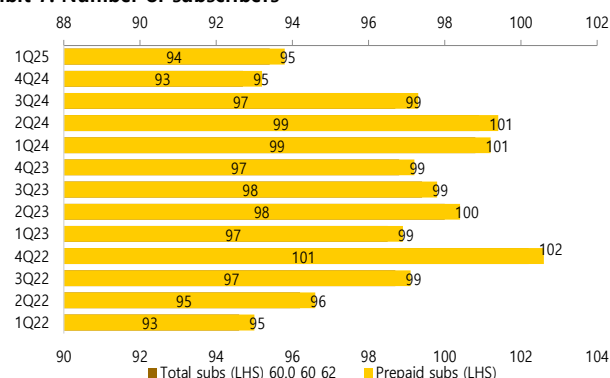
Source: Company, KBVS Research

Exhibit 6: Data traffic and yields qoq



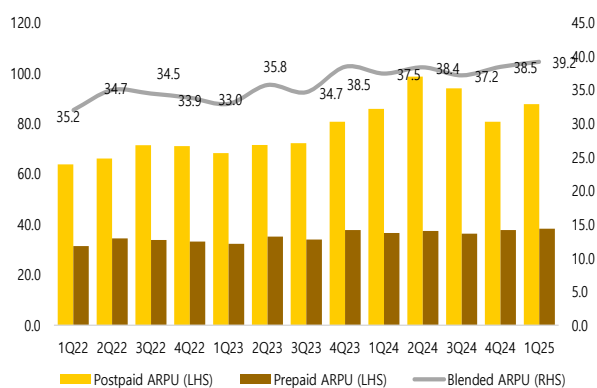
Source: Company, KBVS Research

Exhibit 7: Number of subscribers



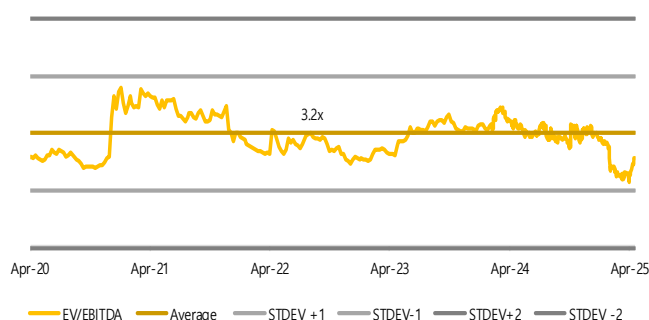
Source: Company, KBVS Research

Exhibit 8: Postpaid, prepaid and blended ARPUs



Source: Company, KBVS Research

Exhibit 9: Currently trading below 5yrs 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	57,782	60,739	63,712
Costs	-40,801	-45,049	-46,175	-48,204	-49,906
Operating profit	10,428	10,838	11,607	12,535	13,806
EBITDA	23,938	26,375	27,803	29,311	31,255
Net finance income/ cost	(4,394)	(4,115)	(4,247)	(4,524)	(4,525)
Other income/ expenses	(103)	9	9	9	9
Pretax profit	5,932	6,733	7,370	8,021	9,290
Income tax	(1,156)	(1,460)	(1,599)	(1,765)	(2,044)
Net profit	4,506	4,911	5,223	5,662	6,558
Normalized net profit	3,561	4,911	5,223	5,662	6,558

Source: Company, KBVS Research

### Exhibit 11: Balance sheet

Year End Dec (IDR bn)	2023A	2024A	2025F	2026F	2027F
<b>Current assets</b>					
Cash and cash equivalents	5,190	4,454	6,065	5,494	5,137
Trade receivables	3,139	3,267	3,531	4,306	4,482
Other current assets	7,133	7,139	7,612	7,409	7,825
<b>Total current assets</b>	<b>15,480</b>	<b>14,878</b>	<b>17,224</b>	<b>17,224</b>	<b>17,459</b>
<b>Non current assets</b>					
Fixed assets	72,861	74,143	76,465	79,523	82,704
Other non current assets	26,382	25,366	25,279	25,375	25,474
<b>Total non current assets</b>	<b>99,243</b>	<b>99,509</b>	<b>101,744</b>	<b>104,898</b>	<b>108,178</b>
<b>Total assets</b>	<b>114,722</b>	<b>114,387</b>	<b>118,968</b>	<b>122,122</b>	<b>125,637</b>
<b>Current liabilities</b>					
Trade payables	746	912	922	908	963
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
<b>Total current liabilities</b>	<b>34,134</b>	<b>31,009</b>	<b>32,194</b>	<b>32,864</b>	<b>33,634</b>
<b>Non current liabilities</b>					
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
<b>Total non-current liabilities</b>	<b>46,879</b>	<b>46,726</b>	<b>47,249</b>	<b>46,903</b>	<b>46,697</b>
<b>Shareholder equity</b>	<b>33,709</b>	<b>36,652</b>	<b>39,524</b>	<b>42,355</b>	<b>45,306</b>
<b>Total liabilities and equity</b>	<b>114,722</b>	<b>114,387</b>	<b>118,968</b>	<b>122,122</b>	<b>125,637</b>

Source: Company, KBVS Research

**Exhibit 12: Cash flow**

Year End Dec (IDR bn)	2023A	2024A	2025F	2026F	2027F
Net profit	4,506	4,911	5,223	5,662	6,558
Depreciation	14,621	15,558	16,215	16,795	17,466
Changes in working capital	(937)	(4,180)	(290)	(264)	(210)
CF from operating activities	18,191	16,289	21,148	22,192	23,814
Investment in fixed assets	(18,300)	(16,841)	(18,537)	(19,853)	(20,647)
Others	(590)	1,016	87	(96)	(99)
CF from investing activities	(18,890)	(15,825)	(18,450)	(19,949)	(20,746)
Dividends paid	(2,062)	(2,164)	(2,350)	(2,831)	(3,607)
Debt raised/ repaid	(6,648)	(344)	197	(731)	(582)
Others	3,028	(856)	(1,285)	(2,083)	(2,843)
CF from financing activities	(3,620)	(1,200)	(1,088)	(2,814)	(3,425)
Change in cash flow	(4,318)	(735)	1,611	(571)	(357)
Cash and cash equivalent, beginning	9,508	5,190	4,454	6,065	5,494
Cash and cash equivalent, ending	5,190	4,454	6,065	5,494	5,137

Source: Company, KBVS Research

**Exhibit 13: Ratio analysis**

Year End Dec	2023A	2024A	2025F	2026F	2027F
Operating profit margin	20.4	19.4	20.1	20.6	21.7
EBITDA margin	46.7	47.2	48.1	48.3	49.1
Net profit margin	8.8	8.8	9.0	9.3	10.3
ROA	3.9	4.3	4.5	4.7	5.3
ROE	3.8	3.8	3.7	3.7	4.0
ROCE	5.6	5.9	6.0	6.3	7.1
ROIC	13.1%	12.9%	13.4%	14.0%	14.8%
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	6.1	6.2	6.6
EPS (Rp)	139.7	152.3	162.0	175.6	203.3
BV/Share (Rp)	1,045.2	1,136.5	1,225.5	1,313.3	1,404.8

Source: Company, KBVS Research

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