

# XL Axiata Tbk (EXCL)

## Expect Solid Performance in 2021

EXCL's revenue grew 3.5% throughout 2020. However, the jump in depreciation and financial expenses resulted in EXCL's net income to decline by 47.9% YoY. Data segment is still solid, leading us to be optimistic for its 2021/2022 top and bottom line .

### Depreciation Expenses Soar, Net Income Declines.

- EXCL booked an income growth of 3.5% YoY to IDR26.0 trillion in 2020 vs IDR25.1 trillion in 2019.
- Depreciation expenses jumped by 69.6% YoY, 114.6% QoQ to IDR12.4 trillion vs IDR7.4 trillion in 2019 after a reduction to the usage life of 3G BTS Assets in 2020.
- Financial expenses also increased by 19.0% to IDR2.6 trillion vs IDR1.9 trillion in 2019.
- Net income down by 47.9% YoY to IDR371.6 billion in 2020, as EXCL booked a net loss in 4Q20 of IDR1.7 trillion.

### Internet Data Increases as Expected during the Pandemic.

- Data segment grew 10.9% YoY to IDR21.4 trillion vs IDR19.3 trillion in FY19. This was the result of increasing internet data usage throughout the Covid-19 pandemic.
- Data traffic grew 46.7% YoY in 2020 to 4,869 PB vs 3,320 PB in 2019.
- The number of XL subscribers increased by 2.1% YoY, 1.8% QoQ after subsidies of internet data provided by the government for students.
- Moreover, during the pandemic, smartphone penetration also grew 4% YoY in 2020 and 1% in 4Q20.

### Top and Bottom Line projected to be Strong in 2021/2022.

- We estimate the income and net profit in 2021/2022 to be stronger, with revenue estimates of IDR27,0 trillion/IDR28,3 trillion and net profit of IDR782 billion/IDR855 billion.
- Data segment will continue to grow, supported by the increasing internet needs in Indonesia as social activity restriction is extended by the government.
- 4G network expansion will continue, in order to prepare for the upcoming 5G .

### Maintain BUY with Target Price of IDR3,150.

- We maintain BUY for EXCL with a lower target price of IDR3.150 (12 month).
- Implied EV/EBITDA for our target price is still undemanding at 3.8x, compared with EXCL's 5- year average of 5.3x.

### XL Axiata Tbk | Summary (IDR bn)

|                | 2019A  | 2020F  | 2021F  | 2022F  |
|----------------|--------|--------|--------|--------|
| Revenue        | 25,133 | 26,009 | 26,972 | 28,293 |
| Growth         | 9.6%   | 3.5%   | 3.7%   | 4.9%   |
| Net profit     | 713    | 372    | 782    | 855    |
| Growth         | N/A    | -47.9% | 110.4% | 9.3%   |
| EPS            | 67     | 35     | 73     | 80     |
| ROE            | 3.7%   | 1.9%   | 3.9%   | 4.2%   |
| DER            | 1.4x   | 1.8x   | 1.4x   | 1.2x   |
| P/BV           | 1.8x   | 1.5x   | 1.7x   | 1.6x   |
| EV/EBITDA      | 5.9x   | 4.6x   | 3.8x   | 3.4x   |
| Dividend Yield | 0.0%   | 0.7%   | 0.3%   | 0.7%   |

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

## BUY

|                           |              |
|---------------------------|--------------|
| <b>Target Price (IDR)</b> | <b>3,150</b> |
| Consensus Price (IDR)     | 3,446        |
| TP to Consensus Price     | -8.6%        |
| vs. Last Price            | +47.9%       |

### Shares data

|                        |               |
|------------------------|---------------|
| Last Price (IDR)       | 2,130         |
| Price date as of       | Feb. 22, 2021 |
| 52 wk range (Hi/Lo)    | 3,070 / 1,315 |
| Free float             | 33.6%         |
| Outstanding sh.(mn)    | 10,706        |
| Market Cap (IDR bn)    | 22,804        |
| Market Cap (USD mn)    | 1,616         |
| Avg. Trd Vol - 3M (mn) | 66.4          |
| Avg. Trd Val - 3M (bn) | 170.3         |
| Foreign Ownership      | 99.1%         |

### Infrastructure

#### Telecommunication

|           |         |
|-----------|---------|
| Bloomberg | EXCL IJ |
| Reuters   | EXCL.JK |

### Share Price Performance



|          | YTD    | 1M     | 3M     | 12M    |
|----------|--------|--------|--------|--------|
| Abs. Ret | -33.6% | -12.3% | -12.3% | -15.5% |
| Rel. Ret | -33.2% | -11.5% | -23.0% | -23.2% |

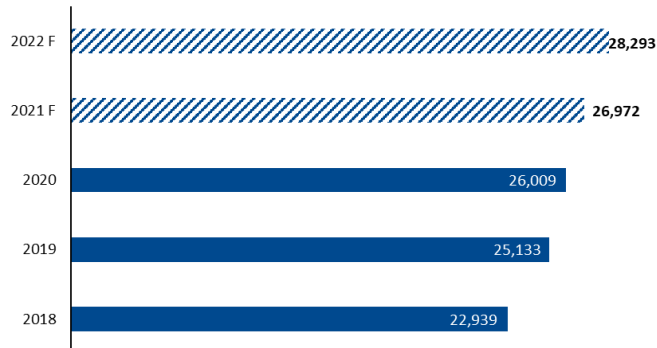
### Restu Pamungkas

+62 21 5088 9133

[restu.pamungkas@nhsec.co.id](mailto:restu.pamungkas@nhsec.co.id)

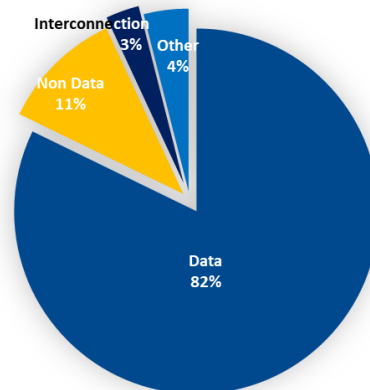
# Performance Highlights

## Revenue Projections



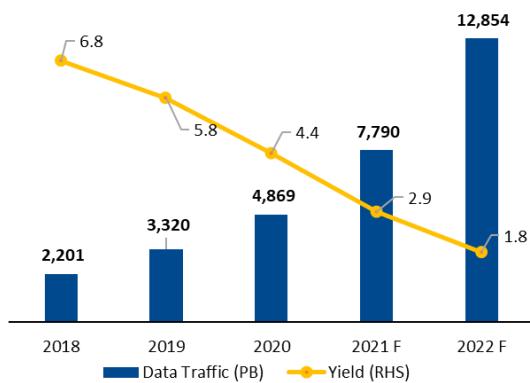
Source: Company, NHKSI Research

## Revenue Contributions FY20



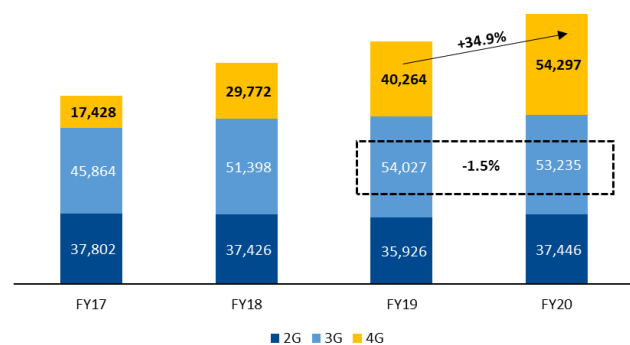
Source: Company, NHKSI Research

## Data Traffic (PB) and Yield (IDR/MB)



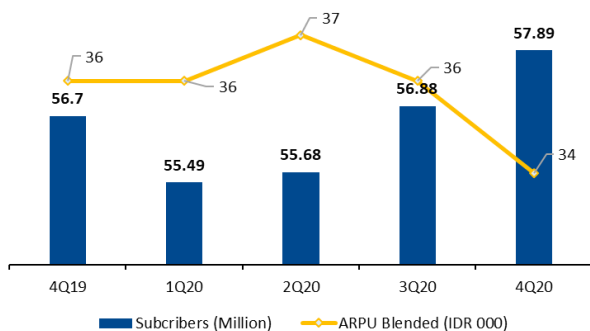
Source: Company, NHKSI Research

## BTS Quantity



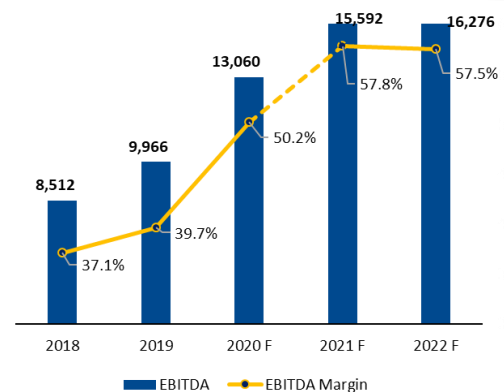
Source: Company, NHKSI Research

## Subscribers and ARPU Blended



Source: Company, NHKSI Research

## EBITDA Margin (bn)



Source: Company, NHKSI Research



PT XL Axiata Tbk (EXCL) is the first private cellular company in Indonesia. 66.4% of XL shares are owned by Axiata Investment (Indonesia) which is a member of Axiata Group Berhad and the public at 33.6%. Currently, XL already has 54,297 BTS with 4G networks, 53,235 3G networks, and 37,446 2G networks. The number of subscribers will grow by 2.1% to 57.9 million subscribers in 2020. Until now, XL is still innovating and becoming the first telecommunication operator in Indonesia to launch 4.5G.

In ASEAN Operators, EXCL has the cheapest PBV value of 1.2x followed by a company from Thailand (True Corp) which also has a PBV of 1.2x. EV/EBITDA EXCL 4.0x is still cheaper than the average value of competitors in ASEAN which is at the 7.1x level, followed by domestic competitors such as ISAT 4.4x and TLKM 4.6x.

#### ASEAN Telecommunication Operators

| Company               | Market Cap (USD mn) | Asset (USD mn) | Revenue LTM (USD mn) | Net Profit LTM (USD mn) | Net Profit Growth LTM | Net Profit Margin | ROE LTM | EV/EBITDA LTM | P/BV  |
|-----------------------|---------------------|----------------|----------------------|-------------------------|-----------------------|-------------------|---------|---------------|-------|
| <b>Indonesia</b>      |                     |                |                      |                         |                       |                   |         |               |       |
| EXCL                  | 1,675               | 4,865          | 1,787                | 26                      | -47.85%               | 1.4%              | 1.9%    | 4.0x          | 1.2x  |
| TLKM                  | 23,284              | 15,975         | 9,182                | 1,305                   | -6.79%                | 14.2%             | 18.8%   | 4.6x          | 3.2x  |
| ISAT                  | 2,289               | 4,508          | 1,919                | (49)                    | N/A                   | -2.6%             | -5.8%   | 4.4x          | 2.7x  |
| <b>Singapore</b>      |                     |                |                      |                         |                       |                   |         |               |       |
| Singtel               | 29,393              | 34,378         | 11,354               | 1,206                   | 3.54%                 | 10.6%             | 6.13%   | 9.5x          | 1.4x  |
| <b>Malaysia</b>       |                     |                |                      |                         |                       |                   |         |               |       |
| Maxis                 | 9,093               | 5,241          | 2,205                | 337                     | -0.63%                | 15.3%             | 19.99%  | 13.4x         | 5.2x  |
| DiGi.Com              | 7,268               | 2,036          | 1,465                | 291                     | -14.79%               | 19.8%             | 192.91% | 12.3x         | 48.5x |
| Axiata Group          | 7,756               | 16,265         | 5,743                | 226                     | N/A                   | 3.9%              | 5.88%   | 5.0x          | 2.0x  |
| <b>Thailand</b>       |                     |                |                      |                         |                       |                   |         |               |       |
| Advanced Info Service | 16,549              | 11,674         | 5,530                | 878                     | -12.04%               | 15.9%             | 37.88%  | 7.4x          | 6.6x  |
| True Corp             | 3,489               | 17,610         | 4,471                | 45                      | -56.89%               | 1.0%              | 1.34%   | 8.2x          | 1.2x  |
| Total Access Comm.    | 2,446               | 5,810          | 2,521                | 163                     | -0.44%                | 6.5%              | 20.73%  | 5.0x          | 3.0x  |
| <b>Phillipine</b>     |                     |                |                      |                         |                       |                   |         |               |       |
| PLDT                  | 5,824               | 10,355         | 3,499                | 521                     | 40.60%                | 14.9%             | 23.40%  | 5.4x          | 2.5x  |
| Globe Telecom         | 5,521               | 6,002          | 3,239                | 407                     | -3.37%                | 12.6%             | 24.26%  | 5.7x          | 3.2x  |

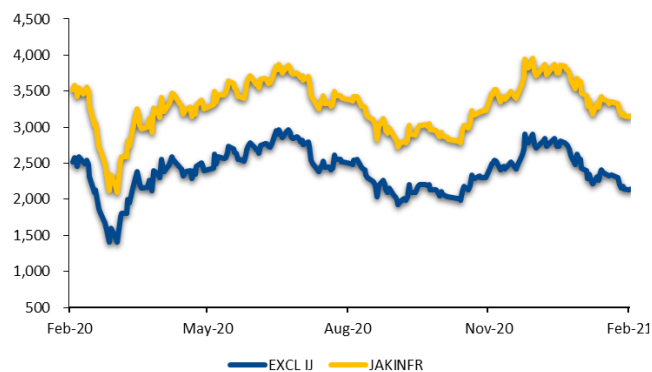
Source: Bloomberg

Forward EV/EBITDA Trade in 3.3x



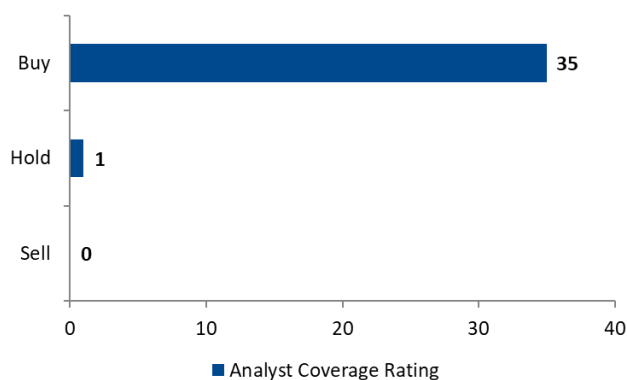
Source: Bloomberg, NHKSI Research

EXCL vs JAKINF



Source: Bloomberg, NHKSI Research

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKSI Research

## Rating and Target Price Update

Target Price

| Date       | Rating | Target Price     | Last Price | Consensus | vs Last Price | vs Consensus |
|------------|--------|------------------|------------|-----------|---------------|--------------|
| 07/03/2020 | Buy    | 3,350 (Dec 2020) | 2,720      | 3,395     | +23.2%        | -1.3%        |
| 09/11/2020 | Buy    | 3,350 (12 Month) | 2,040      | 3,455     | +64.2%        | -3.0%        |
| 11/16/2020 | Buy    | 3,350 (12 Month) | 2,300      | 3,390     | +45.7%        | -1.2%        |
| 02/23/2020 | Buy    | 3,150 (12 Month) | 2,130      | 3,446     | +47,9%        | -8,6%        |

Source: NHKSI Research, Bloomberg

## Summary of Financials

### INCOME STATEMENT

| (IDR bn)                 | 2019/12       | 2020/12       | 2021/F        | 2022/12F      |
|--------------------------|---------------|---------------|---------------|---------------|
| <b>Revenue</b>           | <b>25,133</b> | <b>26,009</b> | <b>26,972</b> | <b>28,293</b> |
| Growth                   | 9.6%          | 3.5%          | 3.7%          | 4.9%          |
| COGS                     | -             | -             | -             | -             |
| <b>Gross Profit</b>      | <b>25,133</b> | <b>26,009</b> | <b>26,972</b> | <b>28,293</b> |
| Gross Margin             | -             | -             | -             | -             |
| Operating Expenses       | (21,858)      | (23,377)      | (23,908)      | (25,203)      |
| <b>Operating Profit</b>  | <b>3,274</b>  | <b>2,632</b>  | <b>3,064</b>  | <b>3,090</b>  |
| OP Margin                | 13.0%         | 10.1%         | 11.4%         | 10.9%         |
| Financial Cost           | (2,243)       | (2,668)       | (2,344)       | (2,177)       |
| Finance Income           | 111           | 183           | 297           | 198           |
| <b>EBIT</b>              | <b>1,144</b>  | <b>146</b>    | <b>1,016</b>  | <b>1,110</b>  |
| EBIT Margin              | 4.6%          | 0.6%          | 3.8%          | 3.9%          |
| Income Tax               | (432)         | 225           | (234)         | (255)         |
| <b>EAT</b>               | <b>713</b>    | <b>372</b>    | <b>782</b>    | <b>855</b>    |
| Non Controlling Interest | -             | -             | -             | -             |
| <b>Net Profit</b>        | <b>713</b>    | <b>372</b>    | <b>782</b>    | <b>855</b>    |
| Growth                   | N/A           | -47.9%        | 110.4%        | 9.3%          |
| Net Profit Margin        | 2.8%          | 1.4%          | 2.9%          | 3.0%          |

### BALANCE SHEET

| (IDR bn)                         | 2019/12       | 2020/12       | 2021/F        | 2022/12F      |
|----------------------------------|---------------|---------------|---------------|---------------|
| Cash                             | 1,603         | 2,966         | 1,981         | 2,156         |
| Receivables                      | 663           | 450           | 482           | 493           |
| Inventories                      | 75            | 143           | 147           | 155           |
| <b>Total Current Assets</b>      | <b>7,146</b>  | <b>7,571</b>  | <b>6,629</b>  | <b>6,826</b>  |
| Net Fixed Assets                 | 42,082        | 47,162        | 44,454        | 40,868        |
| Other Non Current Assets         | 13,498        | 13,011        | 13,315        | 13,635        |
| <b>Total Non Current Assets</b>  | <b>55,580</b> | <b>60,174</b> | <b>57,769</b> | <b>54,503</b> |
| <b>Total Assets</b>              | <b>62,725</b> | <b>67,745</b> | <b>64,398</b> | <b>61,329</b> |
| Trade Payables                   | 8,042         | 7,379         | 7,547         | 7,955         |
| Lease Liabilities                | 1,997         | 4,667         | 2,046         | 1,794         |
| LT Loan                          | 4,267         | 5,536         | 5,536         | 4,369         |
| <b>Total Current liabilities</b> | <b>21,293</b> | <b>18,857</b> | <b>21,121</b> | <b>20,509</b> |
| <b>Total Liabilities</b>         | <b>43,603</b> | <b>48,607</b> | <b>44,591</b> | <b>40,901</b> |
| Capital Stock                    | 1,069         | 1,071         | 1,069         | 1,069         |
| Retained Earnings                | 5,851         | 5,969         | 6,640         | 7,261         |
| <b>Shareholders' Equity</b>      | <b>19,122</b> | <b>19,137</b> | <b>19,806</b> | <b>20,428</b> |

### CASH FLOW STATEMENT

| (IDR bn)                   | 2019/12    | 2020/12      | 2021/F       | 2022/12F   |
|----------------------------|------------|--------------|--------------|------------|
| Operating Cash Flow        | 8,235      | 11,838       | 13,437       | 14,430     |
| Investing Cash Flow        | (11,386)   | (16,342)     | (10,123)     | (9,920)    |
| Financing Cash Flow        | 3,707      | 5,907        | (4,298)      | (4,335)    |
| <b>Net Changes in Cash</b> | <b>556</b> | <b>1,402</b> | <b>(984)</b> | <b>175</b> |

Source: Company Data, NHKSI Research

### PROFITABILITY & STABILITY

|                      | 2019/12 | 2020/12 | 2021/F | 2022/12F |
|----------------------|---------|---------|--------|----------|
| ROE                  | 3.7%    | 1.9%    | 3.9%   | 4.2%     |
| ROA                  | 1.1%    | 0.5%    | 1.2%   | 1.4%     |
| Inventory Turnover   | 293.0x  | 163.0x  | 163.0x | 163.0x   |
| Receivables Turnover | 32.9x   | 46.4x   | 45.0x  | 46.2x    |
| Payables Turnover    | 2.7x    | 3.2x    | 3.2x   | 3.2x     |
| Dividend Yield       | 0.0%    | 0.7%    | 0.3%   | 0.7%     |
| Payout Ratio         | -       | 0.0     | 0.0    | 0.0      |
| DER                  | 1.4x    | 1.8x    | 1.4x   | 1.2x     |
| Net Gearing          | 0.2x    | 0.3x    | 0.3x   | 0.2x     |
| Equity Ratio         | 30.5%   | 28.2%   | 30.8%  | 33.3%    |
| Debt Ratio           | 42.9%   | 49.6%   | 42.8%  | 39.4%    |
| Financial Leverage   | 3.2x    | 3.4x    | 3.4x   | 3.1x     |
| Current Ratio        | 0.3x    | 0.4x    | 0.3x   | 0.3x     |
| Quick Ratio          | 0.3x    | 0.4x    | 0.3x   | 0.3x     |
| Par Value (IDR)      | 100     | 100     | 100    | 100      |
| Total Shares (mn)    | 10,688  | 10,689  | 10,688 | 10,688   |
| Share Price (IDR)    | 3,150   | 2,730   | 3,150  | 3,150    |
| Market Cap (IDR tn)  | 33,667  | 29,181  | 33,667 | 33,667   |

### VALUATION INDEX

|                        | 2019/12 | 2020/12 | 2021/F | 2022/12F |
|------------------------|---------|---------|--------|----------|
| Price/Earnings         | 47.2x   | 78.5x   | 43.1x  | 39.4x    |
| Price/Book Value       | 1.8x    | 1.5x    | 1.7x   | 1.6x     |
| PE/EPS Growth          | N/A     | -1.6x   | 0.4x   | 4.2x     |
| EV/EBITDA              | 5.9x    | 4.6x    | 3.8x   | 3.4x     |
| EV (IDR bn)            | 58,993  | 59,843  | 59,263 | 55,703   |
| Revenue CAGR (3-Yr)    | 3.4%    | -1.9%   | -4.3%  | 3.2%     |
| Net Income CAGR (3-Yr) | 23.8%   | -148.3% | 3.1%   | 32.0%    |
| Basic EPS (IDR)        | 67      | 35      | 73     | 80       |
| BVPS (IDR)             | 1,789   | 1,790   | 1,853  | 1,911    |
| DPS (IDR)              | -       | 20      | 10     | 22       |

### OWNERSHIP

|                         |      |
|-------------------------|------|
| <b>Top Shareholders</b> | %    |
| Axiata Investment       | 66.3 |
| Norges Bank             | 1.5  |
| Brandes Investment      | 1.1  |
| Vanguard Group          | 1.0  |
| <b>By Geography</b>     | %    |
| Malaysia                | 87.6 |
| United States           | 5.3  |
| Norway                  | 2.0  |
| Indonesia               | 0.9  |
| Others                  | 4.2  |

## NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
  - Buy : Greater than +15%
  - Overweight : +5% to +15%
  - Hold : -5% to +5%
  - Underweight : -5% to -15%
  - Sell : Less than -15%

### DISCLAIMER

This document is strictly confidential and is being supplied to you solely for your information. The recipients of this report must make their own independent decisions regarding any securities or financial instruments mentioned herein. This document may not be quoted, reproduced, exhibited, redistributed, transmitted, edited, translated, or published, in whole or in part, for any purpose without notice. Any failure to comply with this restriction may constitute a violation of civil or criminal laws.

This report and any electronic access hereto are restricted and intended only for the clients and related entities of PT NH Korindo Sekuritas Indonesia. This report is only for information and recipient use. It is not reproduced, copied, or made available for others. Under no circumstances is it considered as a selling offer or solicitation of securities buying. Any recommendation contained herein may not be suitable for all investors. Although the information hereof is obtained from reliable sources, its accuracy and completeness cannot be guaranteed. PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, and agents are held harmless from any responsibility and liability for claims, proceedings, action, losses, expenses, damages, or costs filed against or suffered by any person as a result of acting pursuant to the contents hereof. Neither is PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, nor agents are liable for errors, omissions, misstatements, negligence, inaccuracy contained herein. All rights reserved by PT NH Korindo Sekuritas Indonesia.