

XL Axiata Tbk (EXCL)

Strengthen Digital Transformation Program to Gain Customers

EXCL's revenue decreased by 3.8% yoy in 1Q21, mainly caused by some segments that fell rather significantly. Net income reached IDR 320.5 billion (41% of our estimates). EXCL continued to strengthen its digital transformation program in line with the use of Open RAN technology which will have a positive impact in the long run.

Expenses Soaring, Net Profit is less than Optimal.

- EXCL booked revenue of IDR6.2 trillion (-3.8% yoy, -1.7% qoq) vs IDR6.5 trillion in 1Q20. Revenue in the first quarter achieved 23.2% of our FY21 estimates.
- Data Segment slightly grew by 0.2% yoy to IDR5.2 trillion, with the highest contribution to the revenue at 83.4%.
- Decline on the topline was caused by decrease in the tower rental segment (-81.4% yoy), interconnection(-38.3% yoy) and non data (-28.6% yoy) in 1Q20.
- We see the increasing expenses at 23.0% yoy resulted in EXCL only booking net profit of IDR320.5 billion vs IDR1.5 trillion in 1Q20 (due to the EXCL tower sales).

Open RAN Technology will make EXCL More Efficient in the Long Run.

- In Q1, EXCL recorded OPEX value that increased 6.3% yoy, driven by marketing expenses that increased to 16.0% yoy, 17.4% qoq.
- EXCL has done Open RAN (Radio Access Network) trials in Maluku. In the long run, if EXCL is able to take advantage of the technology, it will make the operational costs more efficient, especially in the capital expenditure.

2.3 GHZ Spectrum Auction Fails, EXCL Strengthen Digital Transformation Program .

- After the auction failure, EXCL is back to increasing the usage of digital IT, artificial intelligence, omni channel, and data analytics for customer needs .
- Currently, EXCL has 56 million customers (+1.0% vs 55.4 million in 1Q20).
- 4G network expansion continues, with EXCL currently owning 57,089 4G BTS (+31.0% yoy vs 43.579 di 1Q20). Thus, the total BTS is 147,786 (+10.7% yoy vs 133.536 in 1Q20).

Maintain BUY Rating with Target Price at 3,150.

- We maintain BUY for EXCL with the target price set at 3,150 for the next 12 months .
- The EV/EBITDA implication of our target price is still low at around 3.8x; compared to the 5-year average at the level 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

NH Korindo Sekuritas Indonesia

BUY

Target Price (IDR)	3,150
Consensus Price (IDR)	3,204
TP to Consensus Price vs. Last Price	-1.7% +53.7%

Shares data

Last Price (IDR)	2,050
Price date as of	Apr. 28, 2021
52 wk range (Hi/Lo)	3,070 / 1,920
Free float	33.6%
Outstanding sh.(mn)	10,725
Market Cap (IDR bn)	21,986
Market Cap (USD mn)	1,516
Avg. Trd Vol - 3M (mn)	27.1
Avg. Trd Val - 3M (bn)	59.6
Foreign Ownership	99.1%

Infrastructure

Telecommunication

Bloomberg	EXCL IJ
Reuters	EXCL.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret	-36.1%	-1.9%	-9.7%	-19.6%
Rel. Ret	-31.2%	1.2%	-9.6%	-51.5%

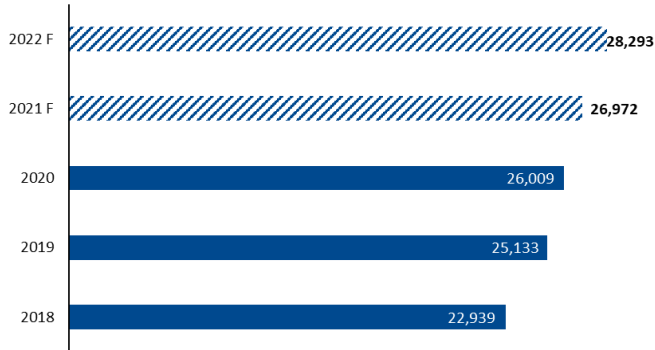
Restu Pamungkas

+62 21 5088 9133

restu.pamungkas@nhsec.co.id

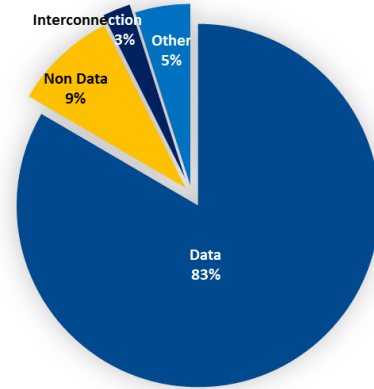
Performance Highlights

Revenue Projections (mn)



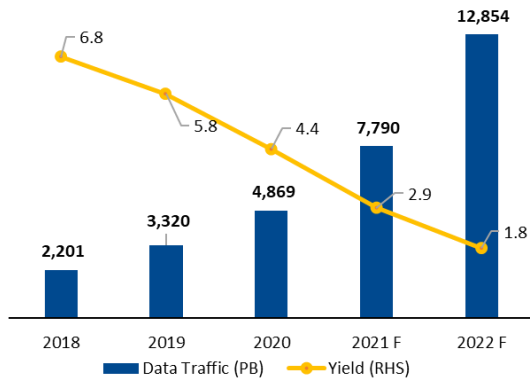
Source: Company, NHKSI Research

Revenue Contributions 1Q21



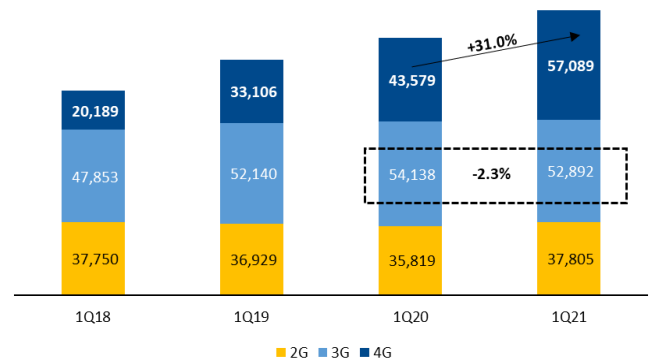
Source: Company, NHKSI Research

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



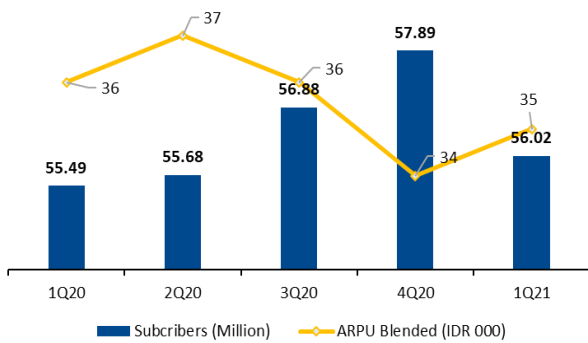
Source: Company, NHKSI Research

BTS Quantity



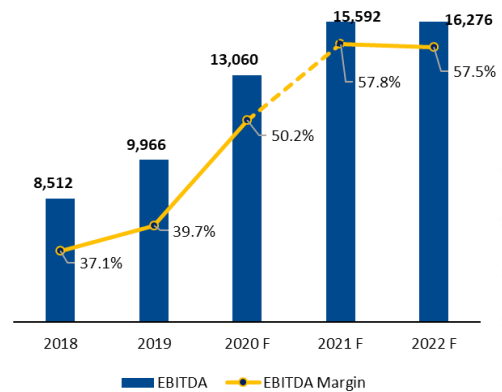
Source: Company, NHKSI Research

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 57,089 BTS with 4G networks, 52,892 3G networks, and 37,805 2G networks. The number of subscribers will grow by 1% to 56 million subscribers in first quarter on 2021. 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 1.1x followed by a company from Thailand (True Corp) which also has a PBV of 1.3x. EV/EBITDA EXCL 3.9x 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
Indonesia									
EXCL	1,516	4,865	1,771	(57)	N/A	-3.2%	-4.1%	3.9x	1.1x
TLKM	21,448	15,975	9,182	1,305	-6.79%	14.2%	18.8%	4.6x	3.1x
ISAT	2,445	4,508	1,919	(49)	N/A	-2.6%	-5.8%	4.4x	3.0x
Singapore									
Singtel	31,502	34,378	11,354	1,206	13.54%	10.6%	6.13%	9.5x	1.5x
Malaysia									
Maxis	8,809	5,455	2,122	326	-7.10%	15.4%	19.38%	11.9x	5.2x
DiGi.Com	7,921	2,036	1,472	277	-18.94%	18.8%	186.00%	10.8x	55.0x
Axiata Group	8,540	16,904	5,763	87	-74.95%	1.5%	2.16%	6.3x	2.0x
Thailand									
Advanced Info Service	16,261	11,674	5,530	878	-12.04%	15.9%	37.88%	7.4x	6.7x
True Corp	3,487	20,588	4,421	34	-81.40%	0.8%	1.00%	7.3x	1.3x
Total Access Comm.	2,435	5,810	2,521	163	-0.44%	6.5%	20.73%	5.0x	3.1x
Phillipine									
PLDT	5,650	11,993	3,650	490	7.83%	13.4%	21.40%	5.8x	2.4x
Globe Telecom	5,190	7,077	3,237	375	-16.57%	11.6%	22.50%	6.2x	3.1x

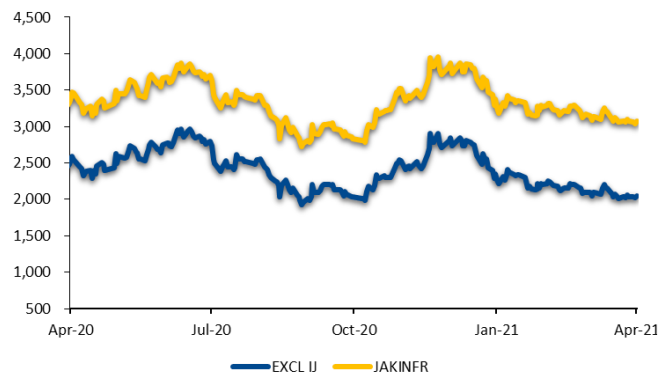
Source: Bloomberg

Forward EV/EBITDA Trade in 3.1x



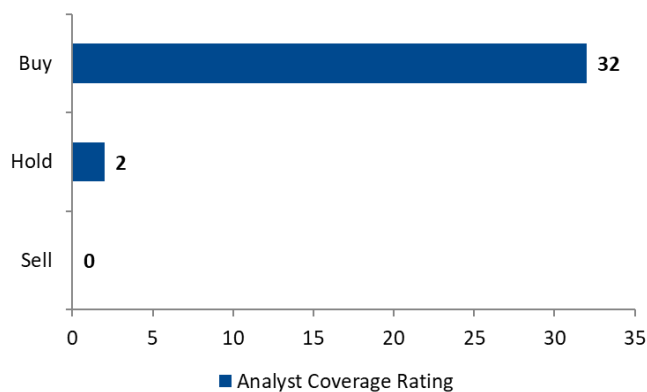
Source: Bloomberg, NHKSI Research

EXCL vs JAKINF



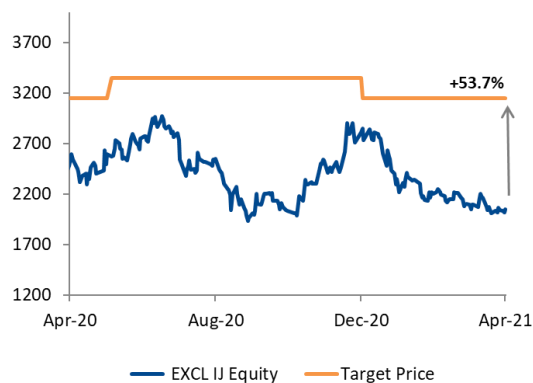
Source: Bloomberg, NHKSI Research

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%
02/23/2021	Buy	3,150 (12 Month)	2,130	3,446	+47.9%	-8.6%
04/29/2021	Buy	3,150 (12 Month)	2,050	3,204	+53.7%	-1.7%

Source: NHKSI Research, Bloomberg

Summary of Financials

INCOME STATEMENT

(IDR bn)	2019/12	2020/12	2021/F	2022/12F
Revenue	25,133	26,009	26,972	28,293
Growth	9.6%	3.5%	3.7%	4.9%
COGS	-	-	-	-
Gross Profit	25,133	26,009	26,972	28,293
Gross Margin	-	-	-	-
Operating Expenses	(21,858)	(23,377)	(23,908)	(25,203)
Operating Profit	3,274	2,632	3,064	3,090
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
EBIT	1,144	146	1,016	1,110
EBIT Margin	4.6%	0.6%	3.8%	3.9%
Income Tax	(432)	225	(234)	(255)
EAT	713	372	782	855
Non Controlling Interest	-	-	-	-
Net Profit	713	372	782	855
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
Total Current Assets	7,146	7,571	6,629	6,826
Net Fixed Assets	42,082	47,162	44,454	40,868
Other Non Current Assets	13,498	13,011	13,315	13,635
Total Non Current Assets	55,580	60,174	57,769	54,503
Total Assets	62,725	67,745	64,398	61,329
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
Total Current liabilities	21,293	18,857	21,121	20,509
Total Liabilities	43,603	48,607	44,591	40,901
Capital Stock	1,069	1,071	1,069	1,069
Retained Earnings	5,851	5,969	6,640	7,261
Shareholders' Equity	19,122	19,137	19,806	20,428

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)
Net Changes in Cash	556	1,402	(984)	175

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

Top Shareholders	%
Axiata Investment	66.3
Norges Bank	1.5
Brandes Investment	1.1
Vanguard Group	1.0
By Geography	%
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%

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