

# XL Axiata Tbk (EXCL)

## Higher Capex to Support Network Expansion

Company Update | Feb. 23, 2022

## BUY

<b>Target Price (IDR)</b>	<b>3,400</b>
Consensus Price (IDR)	3,828
TP to Consensus Price	-11.2%
vs. Last Price	+18.1%

### Shares data

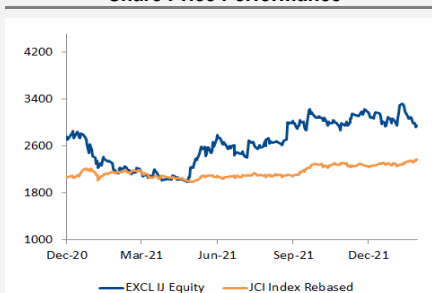
Last Price (IDR)	2,880
Price date as of	Feb. 23, 2022
52 wk range (Hi/Lo)	3,370 / 1,980
Free float	38.6%
Outstanding sh.(mn)	10,725
Market Cap (IDR bn)	30,887
Market Cap (USD mn)	2,152
Avg. Trd Vol - 3M (mn)	13.5
Avg. Trd Val - 3M (bn)	41.7
Foreign Ownership	99.4%

### Infrastructure

#### Telecommunication

Bloomberg	EXCL IJ
Reuters	EXCL.JK

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret	-6.9%	-1.3%	3.1%	35.3%
Rel. Ret	-11.7%	-5.6%	-0.7%	24.2%

**Arief Machrus**

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EXCL recorded net profit growth of 246.6% YoY to IDR 1.3 trillion, in line with the increase in data revenue's contribution to 94.4%. Meanwhile, data revenue was IDR 23.4 trillion or up 5.4% YoY. EXCL's performance was supported by data traffic which increased significantly by 34.4% YoY to 6,549 Petabytes.

### Capitalized Capex Grows 61.2% YoY.

- Capitalized capital expenditure (capex) amounts to IDR 9.9 trillion FY21, up 61.2% YoY, to support network expansion. On the other hand, the increase in capex pushed free cash flow down 51.3% to IDR 3.37 trillion.
- We expect EXCL to allocate a similar capex value in FY22. Meanwhile, EXCL recorded 2.9% YoY revenue growth to IDR 26.8 trillion, and net profit grew 246.6% YoY to IDR 1.3 trillion.

### Data Traffic Growth in Line with Internet Access Speed.

- EXCL's internet access speed jumped, which then boosted data traffic by 34.4% YoY to 6,549 Petabytes.
- Currently, EXCL has 162,282 BTS units, with 4G BTS portion of 47.5% or 77,204 units.
- The dominance of 4G BTS means the area served by the 4G network expand to as many as 458 cities. Meanwhile, EXCL fiberization has covered more than 50% of the site.

### Floating Interest Loan amid Low Interest Rate Trend.

- EXCL currently has an up to 78% floating interest trend, we see this as a positive sentiment amid the low interest rate trend.
- Meanwhile, the management of this loan's payment is still long, up to two years.
- Other than not having US dollar denominated loans, the net debt to EBITDA ratio is still at 0.6 times, or relatively the same compared to the previous year 0.5 times.
- For the record, gross debt rose 9.9% YoY, with net debt up 19.2% YoY.

### Maintains BUY Rating with Target Price of 3,400.

- We maintain our BUY rating for EXCL with a target price of IDR 3,400 for the next 12 months.
- The EV/EBITDA implication of our target price is still low at around 3.7x; compared to the 5 year average at 5.6x level.

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

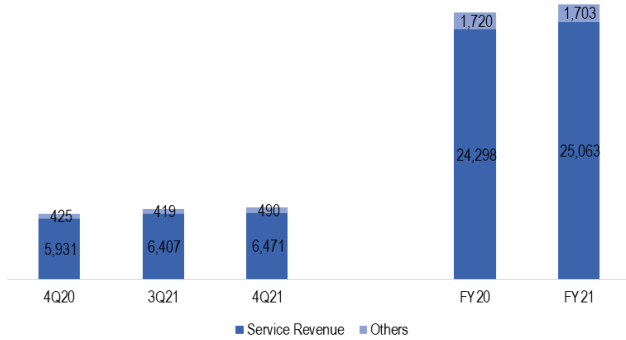
		2021/12A	2022/12F	2023/12F	2024/12F
Revenue		26,754	27,035	28,359	29,346
	<i>Revenue growth</i>	6.5%	3.9%	6.0%	8.6%
EBITDA		1,708	1,922	2,154	1,884
Net profit		1,288	1,345	1,433	1,470
EPS (IDR)		120	126	134	138
	<i>EPS growth</i>	246.6%	4.5%	6.5%	2.6%
BVPS (IDR)		1,879	1,906	2,002	2,093
EBITDA margin		6.4%	7.1%	7.6%	6.4%
NPM		4.8%	5.0%	5.1%	5.0%
ROE		6.4%	6.6%	6.7%	6.6%
ROA		1.8%	2.1%	2.3%	2.6%
P/E		26.3x	27.0x	27.0x	27.0x
P/BV		1.7x	1.8x	1.8x	1.8x
EV/EBITDA		5.1x	3.7x	3.4x	3.1x
DPS (IDR)		32	10	38	47
<i>Dividend yield</i>		1.0%	0.3%	1.0%	1.3%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

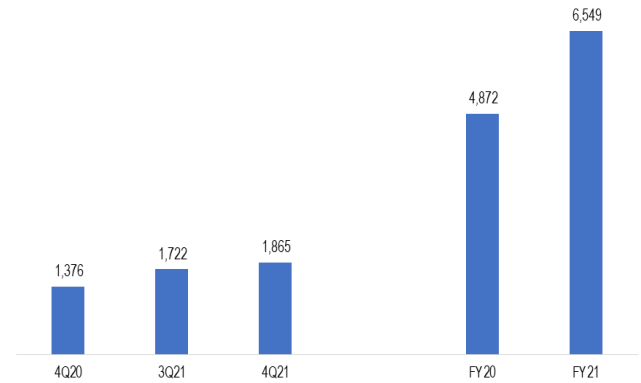
# Performance Highlights

Revenue (IDR Bn)



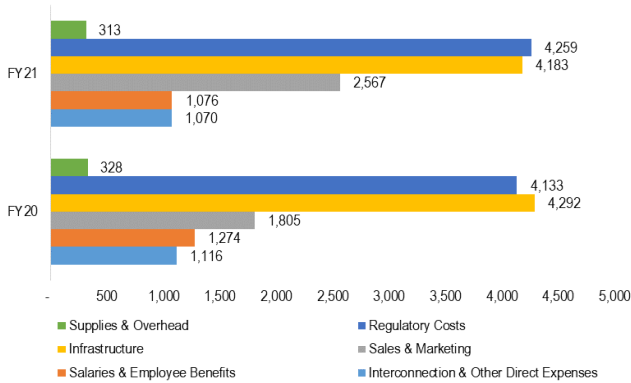
Source: Company, NHKSI Research

Total Traffic (PB)



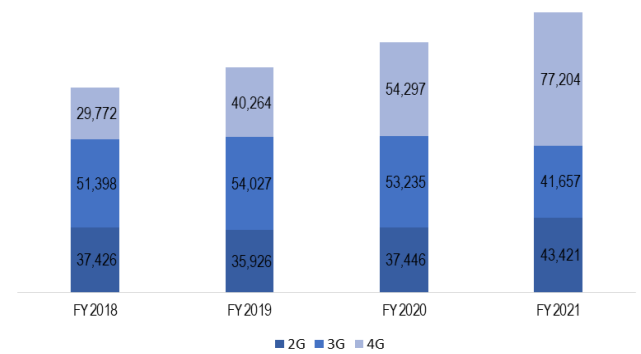
Source: Company, NHKSI Research

Operating Expenses



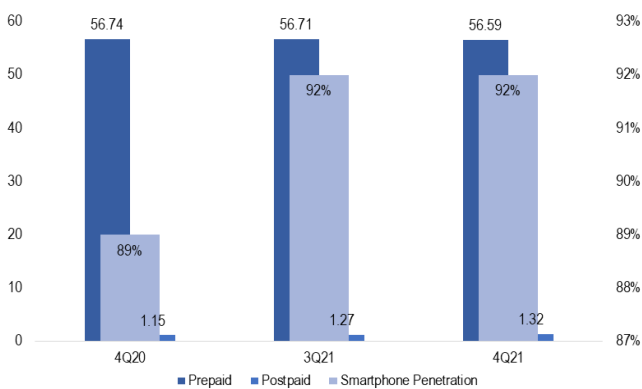
Source: Company, NHKSI Research

BTS Quantity



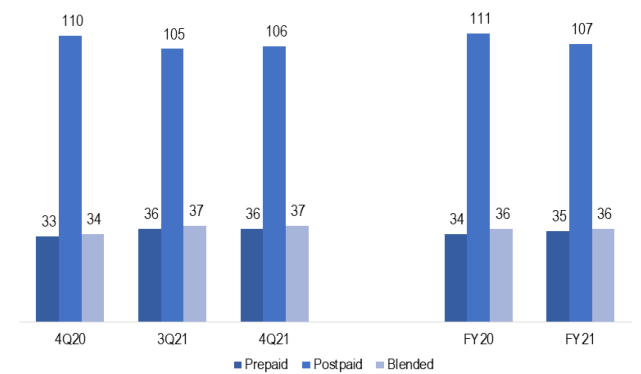
Source: Company, NHKSI Research

Subscribers (Mn) & Smartphone Penetration (%)



Source: Company, NHKSI Research

ARPU (IDR k)



Source: Company, NHKSI Research

## Summary of Financials

### INCOME STATEMENT

(IDR bn)	2021/12A	2022/F	2023/F	2024/12F
<b>Revenue</b>	<b>26,754</b>	<b>27,035</b>	<b>28,359</b>	<b>29,346</b>
Growth	6.5%	3.9%	6.0%	8.6%
COGS	-	-	-	-
<b>Gross Profit</b>	<b>26,754</b>	<b>27,035</b>	<b>28,359</b>	<b>29,346</b>
Gross Margin	-	-	-	-
Operating Expenses	(22,765)	(22,927)	(23,889)	(25,112)
<b>Operating Profit</b>	<b>3,989</b>	<b>4,108</b>	<b>4,470</b>	<b>4,234</b>
OP Margin	14.9%	15.2%	15.8%	14.4%
Financial Cost	(2,378)	(2,482)	(2,540)	(2,622)
Finance Income	88	297	225	273
<b>EBIT</b>	<b>1,708</b>	<b>1,922</b>	<b>2,154</b>	<b>1,884</b>
EBIT Margin	6.4%	7.1%	7.6%	6.4%
Income Tax	(420)	(577)	(722)	(415)
<b>EAT</b>	<b>1,288</b>	<b>1,345</b>	<b>1,433</b>	<b>1,470</b>
Non Controlling Interest	-	-	-	-
<b>Net Profit</b>	<b>1,288</b>	<b>1,345</b>	<b>1,433</b>	<b>1,470</b>
Growth	246.6%	4.5%	6.5%	2.6%
Net Profit Margin	4.8%	5.0%	5.1%	5.0%

### BALANCE SHEET

(IDR bn)	2021/12A	2022/F	2023/F	2024/12F
Cash	2,664	2,251	2,733	2,391
Receivables	525	483	494	459
Inventories	156	129	135	141
<b>Total Current Assets</b>	<b>7,733</b>	<b>6,883</b>	<b>7,384</b>	<b>7,005</b>
Net Fixed Assets	51,912	44,454	40,868	36,435
Other Non Current Assets	13,108	13,315	13,635	13,972
<b>Total Non Current Assets</b>	<b>65,020</b>	<b>57,769</b>	<b>54,503</b>	<b>50,407</b>
<b>Total Assets</b>	<b>72,753</b>	<b>64,651</b>	<b>61,886</b>	<b>57,412</b>
Trade Payables	10,638	7,237	7,540	7,927
Lease Liabilities	4,531	2,046	1,794	1,341
LT Loan	7,157	5,536	4,369	3,833
<b>Total Current liabilities</b>	<b>20,954</b>	<b>20,812</b>	<b>20,094</b>	<b>18,635</b>
<b>Total Liabilities</b>	<b>52,664</b>	<b>44,281</b>	<b>40,486</b>	<b>35,043</b>
Capital Stock	1,072	1,069	1,069	1,069
Retained Earnings	6,934	7,203	8,234	9,202
<b>Shareholders' Equity</b>	<b>20,089</b>	<b>20,370</b>	<b>21,400</b>	<b>22,369</b>

### CASH FLOW STATEMENT

(IDR bn)	2021/12A	2022/F	2023/F	2024/12F
Operating Cash Flow	15,415	13,707	14,905	15,727
Investing Cash Flow	(17,375)	(10,123)	(9,920)	(9,737)
Financing Cash Flow	1,642	(4,298)	(4,503)	(6,332)
<b>Net Changes in Cash</b>	<b>(317)</b>	<b>(715)</b>	<b>482</b>	<b>(342)</b>

Source: Company Data, NHKSI Research

### PROFITABILITY & STABILITY

	2021/12A	2022/F	2023/F	2024/12F
ROE	6.4%	6.6%	6.7%	6.6%
ROA	1.8%	2.1%	2.3%	2.6%
Inventory Turnover	145.5x	177.5x	177.5x	177.5x
Receivables Turnover	43.9x	45.0x	46.2x	51.4x
Payables Turnover	2.1x	3.2x	3.2x	3.2x
Dividend Yield	1.0%	0.3%	1.0%	1.3%
Payout Ratio	0.0	0.0	0.0	0.0
DER	1.8x	1.4x	1.1x	0.8x
Net Gearing	0.4x	0.3x	0.2x	0.2x
Equity Ratio	27.6%	31.5%	34.6%	39.0%
Debt Ratio	49.0%	42.7%	39.1%	31.5%
Financial Leverage	3.6x	3.4x	3.0x	2.7x
Current Ratio	0.4x	0.3x	0.4x	0.4x
Quick Ratio	0.4x	0.3x	0.4x	0.4x
Par Value (IDR)	100	100	100	100
Total Shares (mn)	10,689	10,688	10,688	10,688
Share Price (IDR)	3,170	3,400	3,620	3,714
Market Cap (IDR tn)	33,884	36,339	38,691	39,698

### VALUATION INDEX

	2021/12A	2022/F	2023/F	2024/12F
Price/Earnings	26.3x	27.0x	27.0x	27.0x
Price/Book Value	1.7x	1.8x	1.8x	1.8x
PE/EPS Growth	0.1x	6.0x	4.2x	10.4x
EV/EBITDA	5.1x	3.7x	3.4x	3.1x
EV (IDR bn)	66,868	61,665	60,151	55,393
Revenue CAGR (3-Yr)	-1.9%	-4.3%	3.2%	5.1%
Net Income CAGR (3-Yr)	-173.1%	23.6%	56.8%	4.5%
Basic EPS (IDR)	120	126	134	138
BVPS (IDR)	1,879	1,906	2,002	2,093
DPS (IDR)	32	10	38	47

### OWNERSHIP

	%
<b>Top Shareholders</b>	
Axiata Investment	61.2
Norges Bank	1.4
Vanguard Group	1.2
Others	36.3
<b>By Geography</b>	
Malaysia	89.3
United States	5.9
Norway	2.0
Indonesia	0.7
Others	2.2

## 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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