

XL Axiata Tbk (EXCL)

Off Net Call Strategy Supports Market Share

EXCL recorded an increase in Interconnection and Other Direct Expense by 66% to IDR1.1 trillion 1H22 (IDR690 billion 1H21), amid the Company's efforts to increase Data Revenue outside Java. NHKSI Research sees EXCL's Off Net Call strategy is to increase penetration in areas where Market Share is dominated by competitor operators.

Internet access speed drives traffic to grow 30%

- Price adjustments and Eid Fitr momentum supported EXCL's Data Revenue and Digital Services, grew 9% YoY to IDR12.9 trillion 1H22 (1H21: IDR11.8 trillion). This figure is also supported by the increase in internet access speed, which then drives a 30% YoY increase in Data Traffic to 3,840PB (1H21 2,963PB).
- Currently, EXCL has more than 144 thousand BTS units, dominated by 61% by the 4G BTS portion at 88 thousand units, in line with the optimization of the current 3G BTS spectrum of less than 5 thousand units. The dominance of 4G BTS has pushed the number of subscribers to more than 57 million, with the number of Prepaid Subscribers approaching 56 million. Meanwhile, Blended ARPU increased to IDR38K (1H21: IDR36K), indicating an increase in quality Subscribers.

Interconnection Expense increases in line with expansion outside Java

- Interconnection and Other Direct Expense which rose 66% to IDR1.1 trillion, became one of the triggers for depressed EXCL net profit, which fell 14% to IDR614 billion. NHKSI Research sees this increase in expenses is in line with the Company's efforts to increase Data Revenue outside Java, which was previously dominated by competitor operators.

Off Net Call Strategy

- Meanwhile, we see that the Off Net Call strategy has succeeded in increasing Market Share. Data Revenue EXCL 1H22 was recorded at IDR12.9Trillion (1H21 IDR11.8Trillion) or grew 9% YoY. Data Revenue has also contributed up to 92% of the total Revenue of IDR14.1Trillion. As for the 1H21 period, the portion of Data Revenue was below 91% of the total Revenue of IDR12.9Trillion.

Maintain Buy Recommendation with Target Price IDR3,800

- NHKSI Research maintains its BUY rating for EXCL shares with a target price of 3,800 for the next 12 months. The EV/EBITDA implication of our price target is in the 4.0x range.
- In addition to maintained Debt Repayments for the next two years, we also see Data Revenue growth and increased penetration outside Java as positive catalysts. Meanwhile, we continue to monitor the possibility for an unexpectedly slow expansion, and tariff wars between operators.

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	30.2x	30.2x	30.2x
P/BV		1.7x	2.0x	2.0x	2.0x
EV/EBITDA		5.1x	4.0x	3.7x	3.3x
DPS (IDR)		32	10	38	47
<i>Dividend yield</i>		1.0%	0.3%	0.9%	1.1%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

NH Korindo Sekuritas Indonesia

Company Update | Sept. 8, 2022

BUY

Target Price (IDR)	3,800
Consensus Price (IDR)	3,837
TP to Consensus Price	-0.9%
vs. Last Price	+45.0%

Shares data

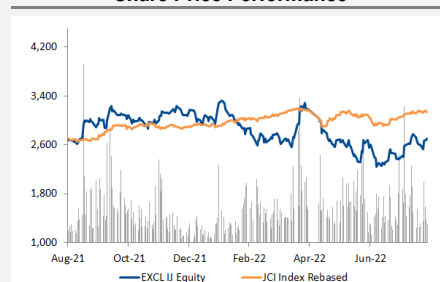
Last Price (IDR)	2,620
Price date as of	Sept. 7, 2022
52 wk range (Hi/Lo)	3,380 / 2,210
Free float	38.6%
Outstanding sh.(mn)	10,725
Market Cap (IDR bn)	30,565
Market Cap (USD mn)	2,083
Avg. Trd Vol - 3M (mn)	25.9
Avg. Trd Val - 3M (bn)	74.4
Foreign Ownership	99.3%

Infrastructure

Telecommunication

Bloomberg	EXCL IJ
Reuters	EXCL.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret	-14.8%	13.4%	5.1%	1.5%
Rel. Ret	-23.2%	9.6%	1.4%	-16.3%

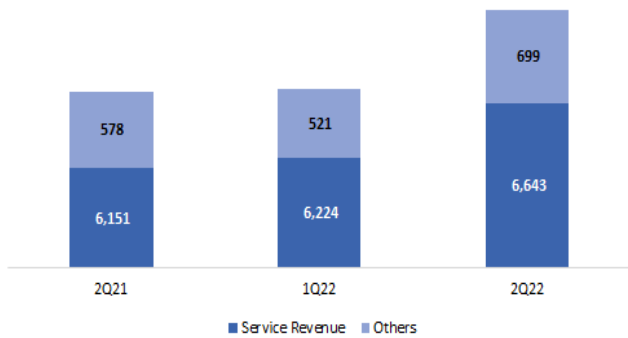
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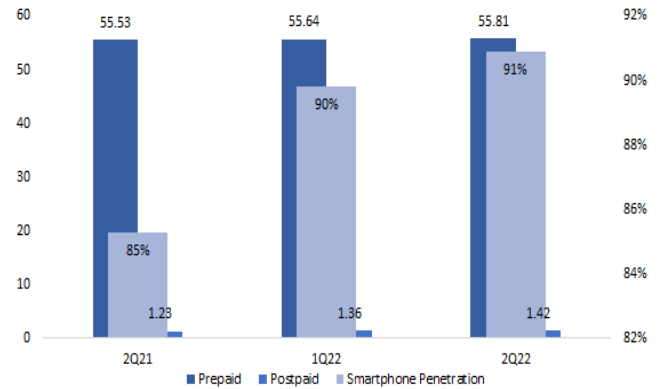
Performance Highlights

Revenue (IDR Bn)



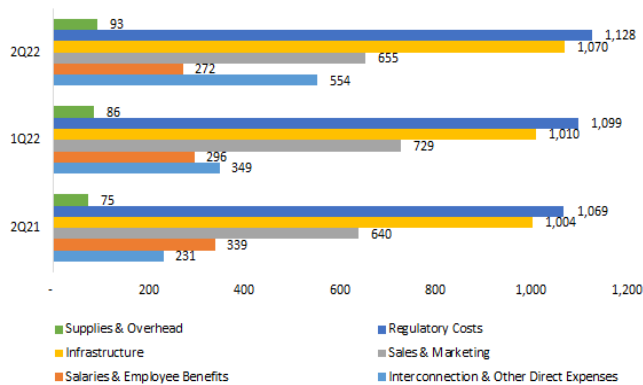
Source: Company, NHKSI Research

Subscriber (Mn)



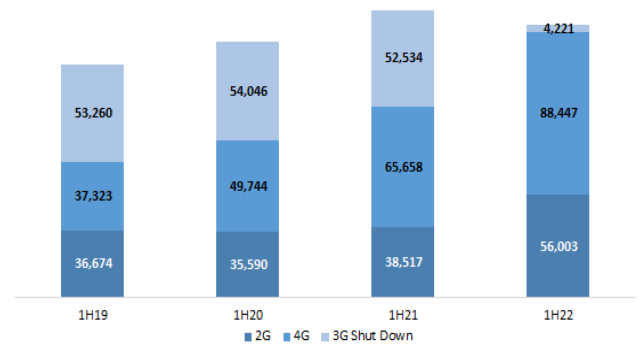
Source: Company, NHKSI Research

Operating Expenses



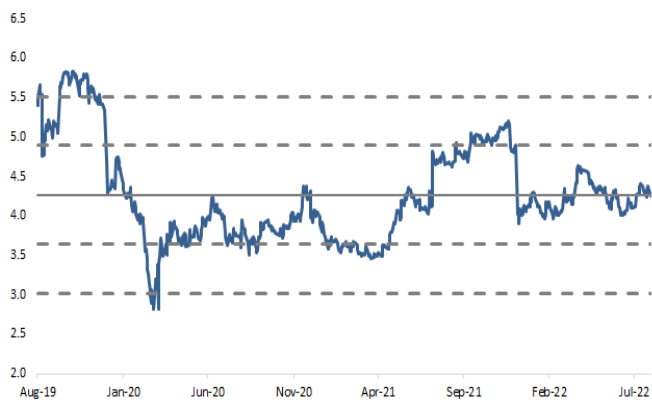
Source: Company, NHKSI Research

BTS Quantity



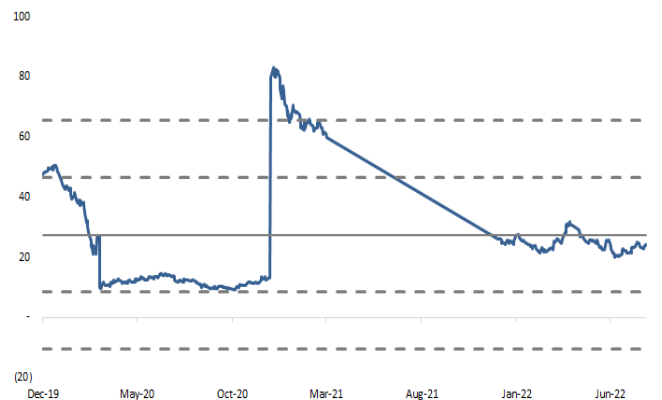
Source: Company, NHKSI Research

EV/EBITDA | Last 3-Years



Source: Company, NHKSI Research

PER | Last 3-Years



Source: Company, NHKSI Research

Summary of Financials

INCOME STATEMENT

(IDR bn)	2021/12A	2022/F	2023/F	2024/12F
Revenue	26,754	27,035	28,359	29,346
Growth	6.5%	3.9%	6.0%	8.6%
COGS	-	-	-	-
Gross Profit	26,754	27,035	28,359	29,346
Gross Margin	-	-	-	-
Operating Expenses	(22,765)	(22,927)	(23,889)	(25,112)
Operating Profit	3,989	4,108	4,470	4,234
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
EBIT	1,708	1,922	2,154	1,884
EBIT Margin	6.4%	7.1%	7.6%	6.4%
Income Tax	(420)	(577)	(722)	(415)
EAT	1,288	1,345	1,433	1,470
Non Controlling Interest	-	-	-	-
Net Profit	1,288	1,345	1,433	1,470
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	2,665	2,252	2,733	2,391
Receivables	525	483	494	459
Inventories	156	129	135	141
Total Current Assets	7,734	6,884	7,384	7,005
Net Fixed Assets	51,912	44,454	40,868	36,435
Other Non Current Assets	13,108	13,315	13,635	13,972
Total Non Current Assets	65,020	57,769	54,503	50,407
Total Assets	72,754	64,652	61,886	57,412
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
Total Current liabilities	20,954	20,812	20,094	18,635
Total Liabilities	52,665	44,282	40,486	35,043
Capital Stock	1,072	1,069	1,069	1,069
Retained Earnings	6,934	7,203	8,234	9,202
Shareholders' Equity	20,089	20,370	21,400	22,369

CASH FLOW STATEMENT

(IDR bn)	2021/12A	2022/F	2023/F	2024/12F
Operating Cash Flow	15,415	13,707	14,905	15,728
Investing Cash Flow	(17,375)	(10,123)	(9,920)	(9,737)
Financing Cash Flow	1,642	(4,298)	(4,503)	(6,332)
Net Changes in Cash	(317)	(715)	482	(342)

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%	0.9%	1.1%
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	3,800	4,046	4,151
Market Cap (IDR tn)	33,884	40,614	43,245	44,369

VALUATION INDEX

	2021/12A	2022/F	2023/F	2024/12F
Price/Earnings	26.3x	30.2x	30.2x	30.2x
Price/Book Value	1.7x	2.0x	2.0x	2.0x
PE/EPS Growth	0.1x	6.7x	4.7x	11.6x
EV/EBITDA	5.1x	4.0x	3.7x	3.3x
EV (IDR bn)	66,867	65,939	64,705	60,063
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

	%
Top Shareholders	
Axiata Investment	61.2
Norges Bank	1.4
Vanguard Group	1.2
Others	36.3
By Geography	
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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