



**BUY**

**Target Price : IDR2,500**

## Stock Data

Current Price : 2,020  
 52wk Range H-L : 3,380 – 1,860  
 Share Outstanding : 10.72 Bn  
 Free Float : 38.61%  
 Mkt Capitalization : 26.52 (IDR tn)

## Major Shareholders

Axiata Investments (Indonesia) Sdn. Bhd. : 66.25%  
 Public : 33.32%  
 Treasury Shares : 0.43%



**Research Analyst**  
 Andrew Sebastian Susilo  
 andrew.susilo@mncgroup.com

## PT XL Axiata Tbk (EXCL IJ)

Telco Sector

### Undemanding Valuation amidst FMC Opportunities

#### Slightly In-Line with Market Expectations

Throughout FY22, EXCL IJ recorded a rise of top-line to IDR29.1 tn (+8.9% YoY), slightly above our estimates (103.4%/101.1% of MNCS/consensus). The data and digital services segment led the performance, which recorded IDR 26.5 trillion, up 11.6% YoY and contributed 91.1% of total revenue. Although the company saw a slight decline in total subscribers to 57.5 mn (-0.7% YoY), total traffic increased 7,991 PB (+22.0% YoY) with an annual blended ARPU of IDR40k (vs IDR 37k in FY21). As a result, this leads to an increase in monthly data per user to 12.2 GB (vs 10.7 GB in FY21), indicating a higher demand for data, particularly after the pandemic.

#### Expect Further Cost Optimization

EBITDA increased to IDR14.2 tn (+7.1% YoY), yet recorded a reduced margin to 48.9% (vs 49.7% in FY21), in-line with our estimates (100.6%/100.4% of MNCS/consensus). This growth was boosted from a decrease in its infrastructure expense by IDR7.7 tn (-3.2% YoY) due to the closure of most of its 3G towers. Meanwhile, its interconnection and other direct expenses increased significantly (+87.3% YoY) due to EXCL's emphasis on convergence services, resulting in a more comprehensive and relevant ecosystem for its customers. Additionally, net profit declined to IDR1.1 tn (-13.9% YoY), resulting in a net margin of 3.8% (vs 4.8% in FY21), below MNCS/consensus FY22 target of 81.7%/84.4%. This was justified from the increase in its interest expense by 16.8% YoY. Moreover, management conducted a right issue in Dec-2022 and used the funds to repay debt, resulting in a potential interest expense saving of around IDR300 bn in FY23E. Additionally, the company aims to continue reduce further cost through measures such as having no foreign currency debt and enhancing its gearing ratio (FY22 net debt/EBITDA EXCL: 0.6x; TLKM: 0.4x in 9M22; ISAT: 2.4x).

#### Well-Positioned from Higher FMC ARPU

Indonesia's internet penetration rate has kept increasing to 77% in 1M23, while its fixed broadband penetration projected a CAGR of 14.6% between FY20-FY26F. This emphasizes the potential for FMC in the future as it merges the benefits of both fixed-line and mobile networks. EXCL is well-positioned to take advantage of this trend by offering FMC products to its customers through XL SATU Fiber and XL SATU Lite aimed at families and businesses. Furthermore, the higher ARPU of IDR414k for XL SATU products compared to the group blended ARPU of IDR40k means that the addition of FMC will improve the company's financial position, although it is still lower than TLKM's Halo Indihome bundle ARPU of IDR418.3k. As EXCL aims to reach 150k XL SATU subscribers by FY23E, we anticipate that it will account for 5.0% of the data and digital segment or 4.7% of total revenue. Overall, we estimate the FY23E for EXCL's top/bottom line to be IDR31.2 tn (+7.2% YoY)/IDR1.4 tn (+29.1% YoY), with a net margin of 4.6%. This growth is expected to be supported by the high demand for data, leading to an increase in ARPU, and a decrease in EXCL's gearing ratio in FY23E. Moreover, we anticipate that EXCL's market share will surpass 18% due to the company's focus on FMC in FY23E.

#### Maintain BUY with TP of IDR2,500

We recommend **BUY** for EXCL with **TP: IDR2,500 (+23.8% upside)**, implying FY23E EV/EBITDA of 5.3x. Currently, the company is traded at around STD-0.5 of its 5-year EV/EBITDA. Downside risks: 1) interest rate hike; 2) data tariff war; 3) Rupiah devaluation; 4) adoption of FMC leads to higher expenses.

#### Key Financial Highlights

Billion IDR	FY21	FY22	FY23E	FY24F	FY25F
Revenue	26,754	29,142	31,228	33,684	36,351
Net Income	1,288	1,109	1,433	1,549	1,766
EPS (IDR)	120	85	110	118	135
PE (x)	17	24	18	17	15
BVS (IDR)	1,873	1,972	2,039	2,103	2,238
PBV (x)	1.08	1.02	0.99	0.96	0.90
EV/EBITDA (x)	6.17	5.76	5.29	4.86	4.46
ROA (%)	1.77	1.27	1.62	1.67	1.80
ROE (%)	6.41	4.30	5.38	5.63	6.04

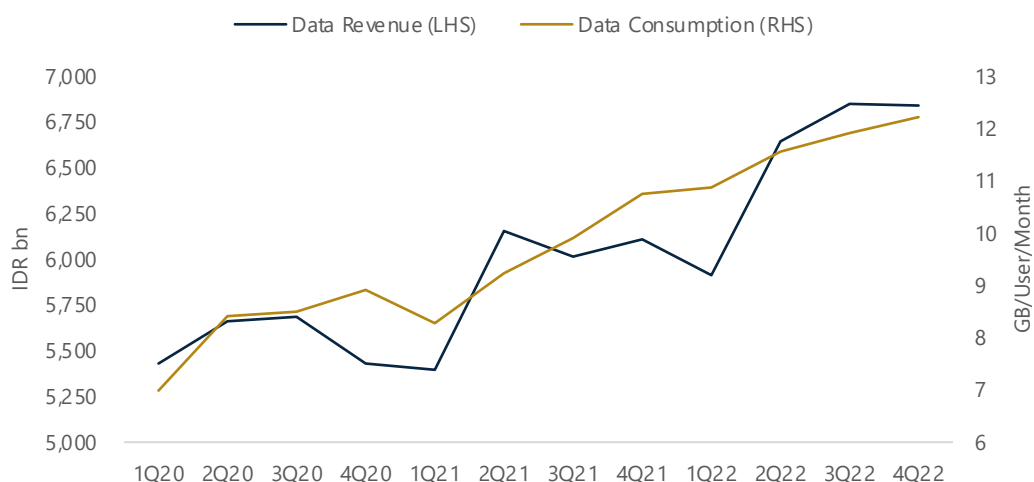
Sources: Bloomberg, MNCS

**Exhibit 01. EXCL Realized FY22 vs MNCS vs Consensus**

IDR bn	FY21	FY22	% YoY	MNCS	Cons.	MNCS %	Cons %
<b>Revenue</b>	<b>26,754</b>	<b>29,142</b>	<b>8.9%</b>	<b>28,191</b>	<b>28,836</b>	<b>103.4%</b>	<b>101.1%</b>
Opex	13,467	14,907	10.7%				
<b>EBITDA</b>	<b>13,287</b>	<b>14,235</b>	<b>7.1%</b>	<b>14,152</b>	<b>14,174</b>	<b>100.6%</b>	<b>100.4%</b>
<i>EBITDA Margin (%)</i>	<i>49.7%</i>	<i>48.8%</i>		<i>50.2%</i>	<i>49.2%</i>		
<b>EBIT</b>	<b>3,331</b>	<b>3,658</b>	<b>9.8%</b>	<b>3,846</b>	<b>3,778</b>	<b>95.1%</b>	<b>96.8%</b>
<i>EBIT Margin (%)</i>	<i>12.4%</i>	<i>12.6%</i>		<i>13.6%</i>	<i>13.1%</i>		
PBT	1,708	1,353	-20.8%				
<b>Net Income</b>	<b>1,288</b>	<b>1,109</b>	<b>-13.9%</b>	<b>1,358</b>	<b>1,314</b>	<b>81.7%</b>	<b>84.4%</b>
<i>Net Margin (%)</i>	<i>4.8%</i>	<i>3.8%</i>		<i>4.8%</i>	<i>4.6%</i>		

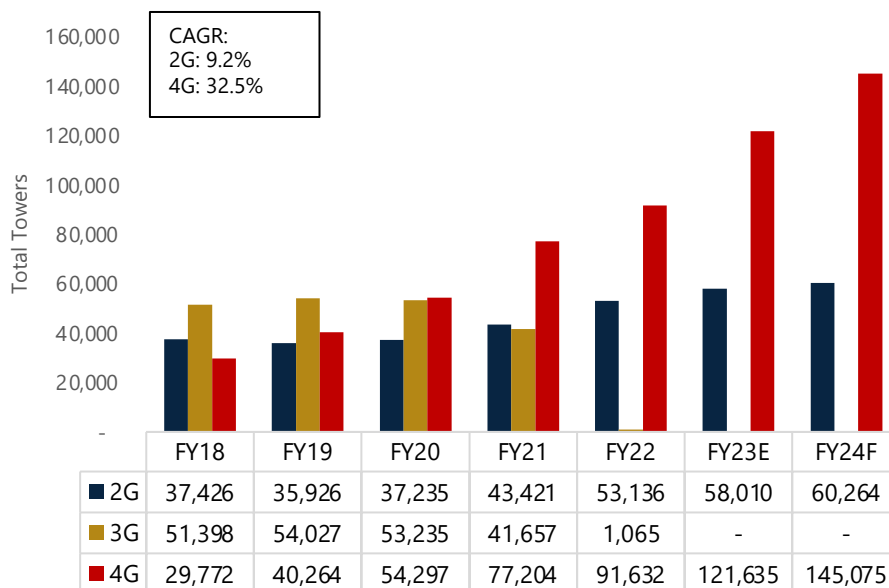
Source : Bloomberg, MNCS

**Exhibit 02. Increasing Trend of EXCL’s Data Revenue & Average Monthly Data Consumption per User Since 1Q20**



Source : Company, MNCS

**Exhibit 03. EXCL’s Tower Number is Projected to Increase While Its 3G Towers are Expected to be Replaced with 4G Towers**



Source : Company, MNCS

**Exhibit 04. XL SATU Yields Lower ARPU than TLKM's Halo Indihome**

XL SATU			
	Plan	Price	Notes
<b>Lite</b>	Value	129,000	30 Days (unlimited Wi-Fi fiber up to 30Mbps + 15GB quota for 2 numbers)
	Smart	199,000	30 Days (unlimited Wi-Fi fiber up to 50Mbps + 25GB quota for 2 numbers)
	Family	299,000	30 Days (unlimited Wi-Fi fiber up to 100Mbps + 50GB quota for 3 numbers)
	Super User	399,000	30 Days (unlimited Wi-Fi fiber up to 300Mbps + 100GB quota for 4 numbers)
	Ultimate	499,000	30 Days (unlimited Wi-Fi fiber up to 1Gbps + 300GB quota for 5 numbers)
<b>Fiber</b>	Value	274,000	30 Days (unlimited home Wi-Fi + 15GB quota for 2 numbers)
	Smart	334,000	30 Days (unlimited home Wi-Fi + 25GB quota for 2 numbers)
	Family	409,000	30 Days (unlimited home Wi-Fi + 50GB quota for 3 numbers)
	Super User	599,000	30 Days (unlimited home Wi-Fi + 100GB quota for 4 numbers)
	Ultimate	999,000	30 Days (unlimited home Wi-Fi + 100GB quota for 4 numbers)
<i>Blended ARPU (IDR)</i>			414,000

**Note:** For XL SATU Fiber and XL SATU Lite plans, extra features include 2 numbers of Perdana XL Prabayar + Free call & SMS to XL & Axis users + Free Vidio Platinum 12 Months + free installation cost

Halo IndiHome				
Plan	GB	Price	Halo	IndiHome
<b>Halo 100</b>	30.15	303,000	15GB Halo + 120 mins call + 200 SMS + 150MB roaming	20Mbps internet
	30.15	363,000	15GB Halo + 120 mins call + 200 SMS + 150MB roaming	30Mbps internet
	30.15	433,000	15GB Halo + 120 mins call + 200 SMS + 150MB roaming	50Mbps internet
<b>Halo 225</b>	65.30	407,000	50GB Halo + 400 mins call + 700 SMS + 300MB roaming	20Mbps internet
	65.30	467,000	50GB Halo + 400 mins call + 700 SMS + 300MB roaming	30Mbps internet
	65.30	537,000	50GB Halo + 400 mins call + 700 SMS + 300MB roaming	50Mbps internet
<i>Blended ARPU (IDR)</i>				418,333

**Note:** Halo IndiHome bundles include unlimited access of Kuota Aplikasi Harian (MAXstream, GamesMAX, MusicMAX, LINE, Whatsapp, Shopee, Tokopedia, and Lazada) + 15GB bonus Halo data + 100 mins bonus Halo call

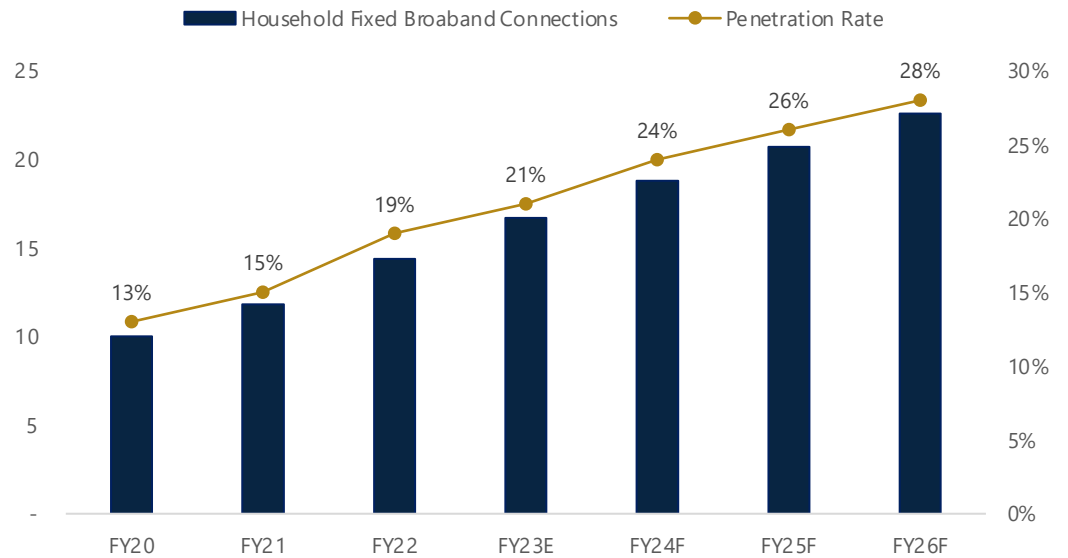
Source : Company, MNCS

**Exhibit 05. FMC Contribution towards FY23E Revenue is Still not Significant**

	FY23E
XL Home Subs	450,000
Convergence Rate	33.3%
XL SATU Subs	150,000
Total Subscribers	60,469,714
<i>% Convergence</i>	0.25%
Mobile Subs per Plan	2
Monthly FMC Revenue (IDR bn)	124
Annual FMC Revenue (IDR bn)	1,490
Data & Digital Revenue (IDR bn)	29,620
<i>% Proportion</i>	5.0%
Total Revenue (IDR bn)	31,801
<i>% Proportion</i>	4.7%

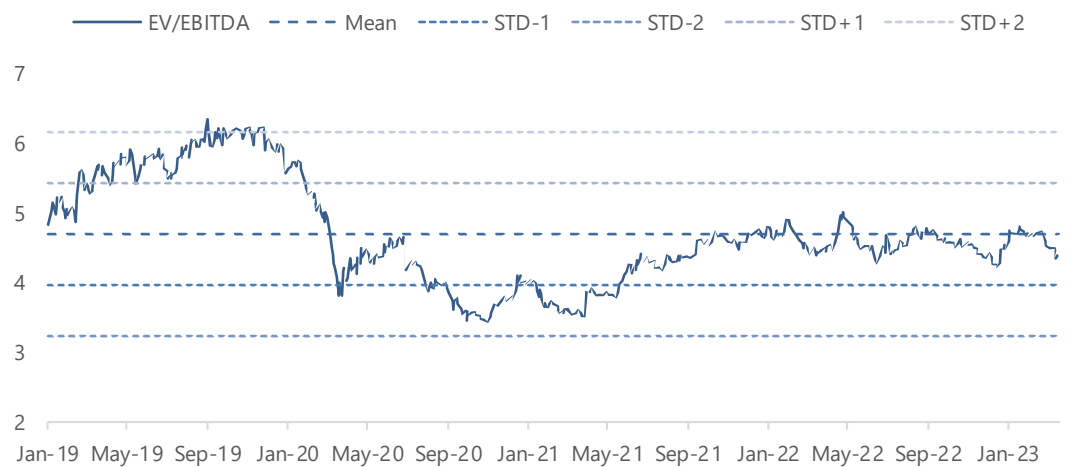
Source : Company, MNCS

**Exhibit 06. The Increasing Trend of Household Fixed Broadband Connections and Penetration Rate Shows the Potential of FMC Going Forward**



Source : Analysys Mason, MNCS

**Exhibit 07. EXCL is Currently Traded at STD-0.5 of 5-Year EV/EBITDA**



Source : Bloomberg, MNCS

## Exhibit 07. Financial Projections

IDR Billion	Income Statement				
	FY21	FY22	FY23E	FY24F	FY25F
<b>Revenues</b>	<b>26,754</b>	<b>29,142</b>	<b>31,228</b>	<b>33,684</b>	<b>36,351</b>
Data & Digital Services	24,508	26,547	29,051	31,782	34,633
Non-Data	2,246	2,595	2,177	1,902	1,718
<b>Operating Expense</b>	<b>13,467</b>	<b>14,907</b>	<b>15,722</b>	<b>16,804</b>	<b>17,953</b>
Selling Expenses	2,567	2,618	2,676	2,815	2,969
General and Administrative	299	353	396	442	500
Infrastructure Expense	7,990	7,734	8,089	8,649	9,252
<b>Operating Profit</b>	<b>3,331</b>	<b>3,658</b>	<b>4,476</b>	<b>4,857</b>	<b>5,313</b>
D&A Expense	9,956	10,577	11,030	12,023	13,084
<b>EBITDA</b>	<b>13,287</b>	<b>14,235</b>	<b>15,507</b>	<b>16,880</b>	<b>18,398</b>
Interest Expense	2,378	2,777	2,782	2,980	3,176
Interest Income	88	112	115	136	143
Other	658	422	-	-	-
<b>Profit Before Tax</b>	<b>1,708</b>	<b>1,353</b>	<b>1,780</b>	<b>1,969</b>	<b>2,243</b>
Tax Expense (Benefit)	420	232	335	408	465
Minority Interest	-	(12)	(12)	(12)	(12)
<b>Net Income</b>	<b>1,288</b>	<b>1,109</b>	<b>1,433</b>	<b>1,549</b>	<b>1,766</b>
EPS (full amount)	120	85	110	118	135

IDR Billion	Balance Sheet				
	FY21	FY22	FY23E	FY24F	FY25F
<b>Current Assets</b>	<b>7,733</b>	<b>10,408</b>	<b>11,469</b>	<b>11,734</b>	<b>10,796</b>
Cash and Cash Equivalents	2,664	5,184	5,997	5,803	4,412
Account Receivable	525	738	839	913	981
Inventories	156	408	263	305	317
Other Current Assets	4,388	4,078	4,370	4,714	5,087
<b>Non-Current Assets</b>	<b>65,020</b>	<b>76,869</b>	<b>76,739</b>	<b>80,899</b>	<b>87,154</b>
Fixed Assets - net	51,912	60,474	64,440	68,296	72,194
Other Non-Current Assets	13,108	16,396	12,299	12,603	14,960
<b>Total Assets</b>	<b>72,753</b>	<b>87,278</b>	<b>88,208</b>	<b>92,633</b>	<b>97,950</b>
<b>Current Liabilities</b>	<b>20,954</b>	<b>26,351</b>	<b>24,107</b>	<b>25,744</b>	<b>27,206</b>
Account Payable	10,638	11,337	13,168	14,460	15,548
Short Term Debt	6,276	10,919	6,551	6,551	6,551
Other Current Liabilities	4,040	4,094	4,388	4,733	5,107
<b>Non-Current Liabilities</b>	<b>31,711</b>	<b>35,153</b>	<b>37,449</b>	<b>39,404</b>	<b>41,493</b>
Long-term Liabilities - Net	7,157	2,411	2,363	2,316	2,269
Other Non-Current Liabilities	24,554	32,742	35,086	37,088	39,224
<b>Total Liabilities</b>	<b>52,665</b>	<b>61,504</b>	<b>61,556</b>	<b>65,148</b>	<b>68,700</b>
<b>Total Equity</b>	<b>20,089</b>	<b>25,774</b>	<b>26,652</b>	<b>27,485</b>	<b>29,251</b>
<b>Total Liabilities &amp; Equity</b>	<b>72,753</b>	<b>87,278</b>	<b>88,208</b>	<b>93,390</b>	<b>97,950</b>

Source : Company, MNCS

IDR Billion	Cash Flow				
	FY21	FY22	FY23E	FY24F	FY25F
<b>CFO Total</b>	<b>12,843</b>	<b>12,278</b>	<b>14,340</b>	<b>14,749</b>	<b>15,859</b>
Net Income	1,109	1,433	1,549	1,766	0
Depreciation	9,956	10,570	11,030	12,023	13,084
Change in Working Capital	3,172	234	1,875	1,176	1,007
Change in Others	(96)	(3,288)	4,097	(304)	(2,358)
<b>CFI Total</b>	<b>(14,803)</b>	<b>(22,419)</b>	<b>(10,900)</b>	<b>(16,183)</b>	<b>(19,339)</b>
Capex	(14,706)	(19,131)	(14,997)	(15,879)	(16,982)
Change in Others	(96)	(3,288)	4,097	(304)	(2,358)
<b>CFF Total</b>	<b>1,642</b>	<b>12,607</b>	<b>(2,626)</b>	<b>1,239</b>	<b>2,089</b>
Net Change in Debt	1,655	(103)	(4,416)	(47)	(46)
Equity financing	(14)	4,939	0	0	0
Dividend payment	(338)	(547)	(555)	(716)	0
Others	340	8,319	2,344	2,003	2,135
Net Cash Increase	(301)	2,466	813	(195)	(1,391)
<b>Closing Balance</b>	<b>2,664</b>	<b>5,184</b>	<b>5,997</b>	<b>5,803</b>	<b>4,412</b>

	Ratios				
	FY21	FY22	FY23E	FY24F	FY25F
Revenue Growth (%)	2.86	8.93	7.16	7.86	7.92
EBITDA Growth (%)	1.74	7.14	8.93	8.86	8.99
Net Profit Growth (%)	246.56	(13.85)	29.13	8.10	14.03
Current Ratio (%)	36.91	39.50	47.58	45.58	39.68
Quick Ratio (%)	15.22	22.48	28.36	26.09	19.82
Receivable Days	7.16	9.25	9.81	9.89	9.85
Inventory Days	4.24	9.99	6.10	6.62	6.45
Payable Days	288.32	277.60	305.71	314.09	316.10
Debt to Equity (x)	2.62	2.39	2.31	2.37	2.35
Debt to EBITDA (x)	3.96	4.32	3.97	3.86	3.73
EBIT Margin (%)	12.45	12.55	14.33	14.42	14.62
EBITDA Margin (%)	49.66	48.85	49.66	50.11	50.61
Net Profit Margin (%)	4.81	3.81	4.59	4.60	4.86
ROA (%)	1.77	1.27	1.62	1.67	1.80
ROE (%)	6.41	4.30	5.38	5.63	6.04

Source : Company, MNCS

### MNC Research Industry Ratings Guidance

**OVERWEIGHT:** Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months

**NEUTRAL:** Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months

**UNDERWEIGHT:** Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

### MNC Research Investment Ratings Guidance

**BUY :** Share price may exceed 10% over the next 12 months

**HOLD :** Share price may fall within the range of +/- 10% of the next 12 months

**SELL :** Share price may fall by more than 10% over the next 12 months

**Not Rated :** Stock is not within regular research coverage

### PT MNC SEKURITAS

MNC Financial Center Lt. 14 – 16

Jl. Kebon Sirih No. 21 - 27, Jakarta Pusat 10340

Telp : (021) 2980 3111

Fax : (021) 3983 6899

Call Center : 1500 899

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