

BUY | TP : IDR2,700
Stock Price Data

Last Price	:	IDR2,270
52wk High	:	IDR2,780
52wk Low	:	IDR1,695
Share Out	:	13.13 bn
Market Cap	:	IDR29.80 tn

Stock Price Performance

1-Day	:	-0.87%
1-Week	:	+9.66%
1-Month	:	+13.50%
3-Month	:	+27.17%
Year-to-Date	:	+6.07%

Shareholders

Axiata Investments (Indonesia) Sdn. Bhd.	:	66.2%
Public	:	33.8%

PT XL Axiata Tbk (EXCL IJ)
Maximizing Opportunity of Data Consumption
Pushed by Higher Subscriber Base

EXCL reported a steady 5.8% YoY growth in net profit for 1H23, rising to IDR650.7 bn (vs IDR614.9 bn 1H22), which fell slightly higher of our estimates, reaching 51.1%/52.4% of MNCS/Cons. Despite the increase, the company's margin contracted from 4.4% in 1H22 to 4.1% in 1H23, largely due to a loss from associates, LINK, amounting to IDR77.4 bn, as well as a finance cost increase of +18.2% YoY. Yet, its EBITDA margin rose to 48.5% (vs 47.8% in 1H22), where this is attributable to the management's focused efforts on operational efficiency, particularly noticeable in sales & marketing expenses, which decreased by -14.8% YoY. Revenue also recorded robust growth, increasing by +12.0% YoY to IDR15.8 tn, (vs IDR14.1 tn in 1H22), boosted from the data and digital services segment (+12.0% YoY), particularly by a rise in the number of subscribers to 58.0 mn in 2Q23 (vs 57.9 mn in 1Q23). This resulted in higher data consumption rate by +22.0% YoY, and in turn, pushed the Average Revenue Per User (ARPU) to IDR41k in 1H23 (vs IDR38k in 1H22).

Strengthening Its Stance in 2H23E

The data and digital service segment has contributed more than 90% to the overall revenue in recent years, with its market share continuing to grow, where in 2Q23, EXCL held a market share of 18.6% (vs 17.7% in 2Q22), despite a marginal quarterly decrease of -0.2 pp. Remarkably, the company has managed to raise its data pricing by an average of 8.0% since 4Q22, while still retaining its users and enhancing data consumption per subscriber. The management also suggested raising its data tariff in 2H23E, which we assume for a stable growth of 8%. We have begun to notice some positive results from EXCL's FMC (Fixed Mobile Convergence) product, XL Satu, particularly with respect to data consumption per subscriber during 1H23. In 2Q23, EXCL recorded a significant growth in its monthly data consumption, increasing by +22.0% YoY to 14.1 GB/user, outperforming its competitors (TLKM: 9.8 GB/user; ISAT: 12.5 GB/user). We anticipate continued growth in subscribers in FY23E, expecting an addition of around 1 mn, due to sustained high growth in the sector. Thus, as the first domestic Mobile Network Operator (MNO) to venture into the FMC industry, EXCL will solidify its position in this highly potential market. This assertion is further reinforced by the increasing convergence penetration rate, which rose to 56% in 2Q23 (vs 44% in 1Q23), 1.6x higher than Telkomsel Satu's expected rate in FY23E. Additionally, with the company's collaboration with LINK, which targets 1 mn additional home passes and 400k connected homes through XL Home, we expect a further convergence rate increase to over 60% by FY23E. In conclusion, the potential increase in data pricing, coupled with the expanding subscriber base, suggests a potential boost to the company's top-line performance in the near future.

Expecting Double Digit Growth in Net Profit

We foresee a revenue growth of 6.6% YoY in FY23E to IDR31.1 tn (vs IDR29.1 tn in FY22) on the back of higher data pricing where we expect for another 8% increase in 2H23E. The data & digital services segment remains to drive the EXCL's topline in the future, contributing >90% to the overall revenue particularly with higher monthly data consumption to 13.6 GB/user (vs 11.6GB/user) and higher subscriber base to 58.5 mn (vs 57.5 mn in FY22). Furthermore, with expected lower selling and marketing expense by -6.3% YoY, we expect a higher EBITDA margin to 49.1% (vs 48.9% in FY22), resulting in net profit growth to IDR1.3 tn (+14.8% YoY).

Recommendation: BUY with TP IDR2,700/share

We recommend BUY with TP of IDR2,700/share (+18.9% upside), implying 5.9x FY23E EV/EBITDA. We see that the company's action on reducing its operational expense and future rise of data pricing, as well as potential rate cut will be the key upside for the company. Downside risks: 1) data tariff war; 2) lower subscriber growth in 2Q23; 3) high leverage level.


Research Analyst

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Key Financial Highlight (USD mn)	FY20	FY21	FY22	FY23E	FY24F
Revenue	26,009.1	26,754.1	29,142.0	31,058.0	33,062.8
Net Income	371.6	1,287.8	1,109.4	1,273.6	1,461.8
EPS (IDR)	34.7	120.1	84.9	97.4	111.8
P/E (x)	65.4	18.9	26.7	23.3	20.3
BVS (IDR)	1,787.5	1,873.1	1,971.7	2,026.7	2,089.8
P/B (x)	1.3	1.2	1.2	1.1	1.1
EV/EBITDA (x)	6.9	6.8	6.3	5.9	5.5
ROA (%)	0.5%	1.8%	1.3%	1.4%	1.6%
ROE (%)	1.9%	6.4%	4.3%	4.8%	5.4%

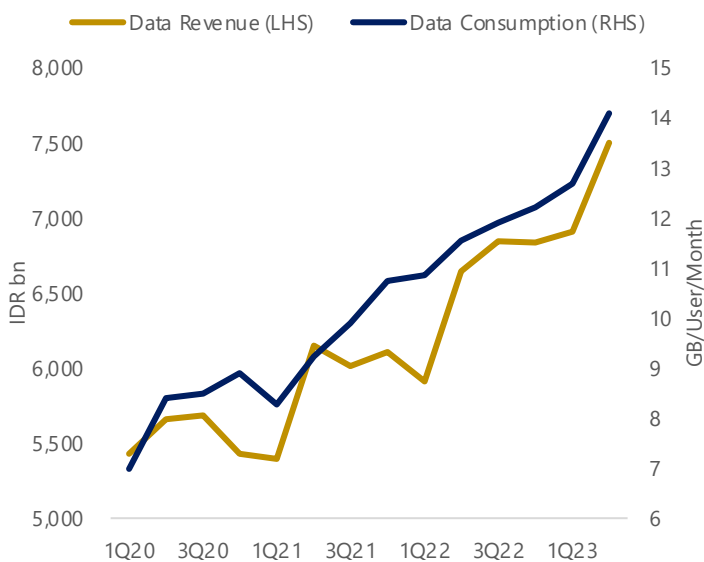
Source : MNCS

Exhibit 01. FY23E Projection vs Bloomberg Consensus

IDR bn	2Q22	1Q23	2Q23	% QoQ	% YoY	1H22	1H23	% YoY	MNCS	Cons.	MNCS %	Cons %
Revenue	7,333	7,547	8,217	8.9%	12.1%	14,075	15,765	12.0%	31,058	31,062	50.8%	50.8%
Opex	6,187	6,607	6,913	4.6%	11.7%	12,186	13,520	10.9%				
EBIT	3,560	3,583	4,069	13.6%	14.3%	6,734	7,652	13.6%	15,248	15,361	50.2%	49.8%
EBIT Margin (%)	48.5%	47.5%	49.5%			47.8%	48.5%	0.7 bps	49.1%	49.5%		
EBITDA	1,146	941	1,304	38.6%	13.8%	1,889	2,245	18.8%	4,062	4,137	55.3%	54.3%
EBITDA Margin (%)	15.6%	12.5%	15.9%			13.4%	14.2%	0.8 bps	13.1%	13.3%		
PBT	556	238	566	137.9%	1.7%	728	803	10.3%	1,705	1,751	47.1%	45.9%
Net Income	476	201	450	123.9%	-5.5%	615	651	5.8%	1,274	1,242	51.1%	52.4%
Net Margin (%)	6.5%	2.7%	5.5%			4.4%	4.1%	-0.3 bps	4.1%	4.0%		

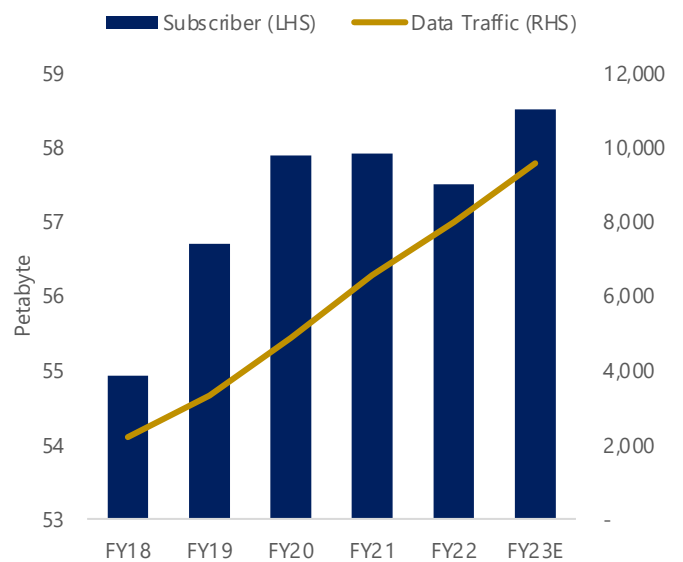
Sources: Bloomberg, MNCS

Exhibit 02. Data Consumption Grows Inline with Data Revenue



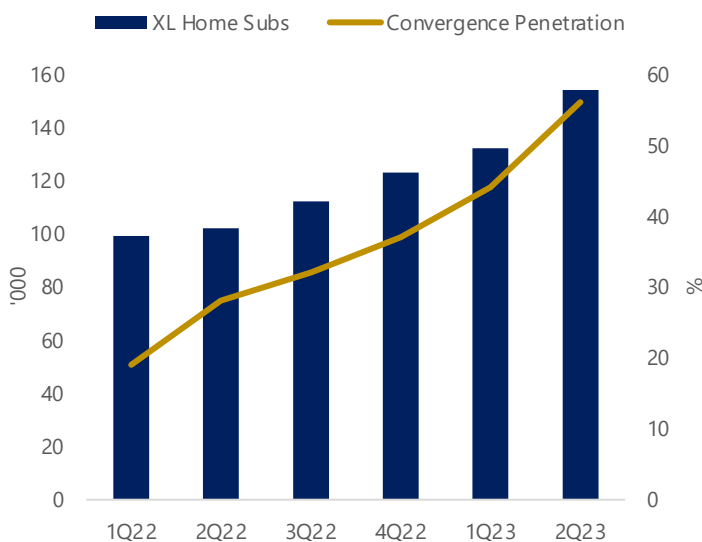
Source : MNCS

Exhibit 03. Growing Trend of Subscribers and Data Traffic



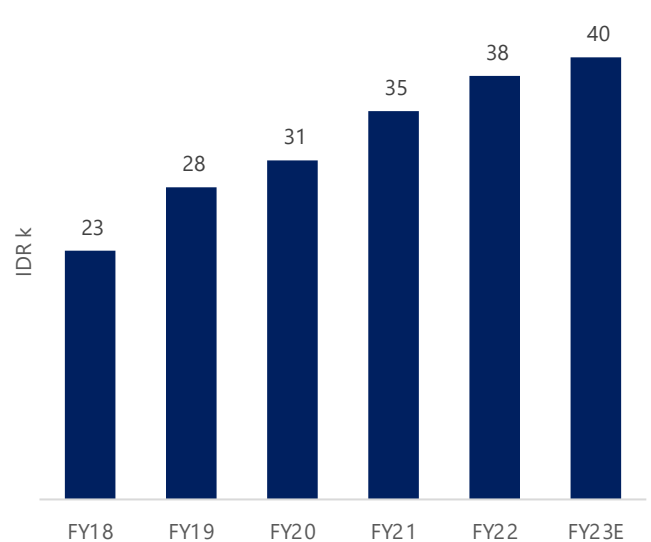
Sources : Company, MNCS

Exhibit 04. XL Home Subscribers vs Convergence Penetration



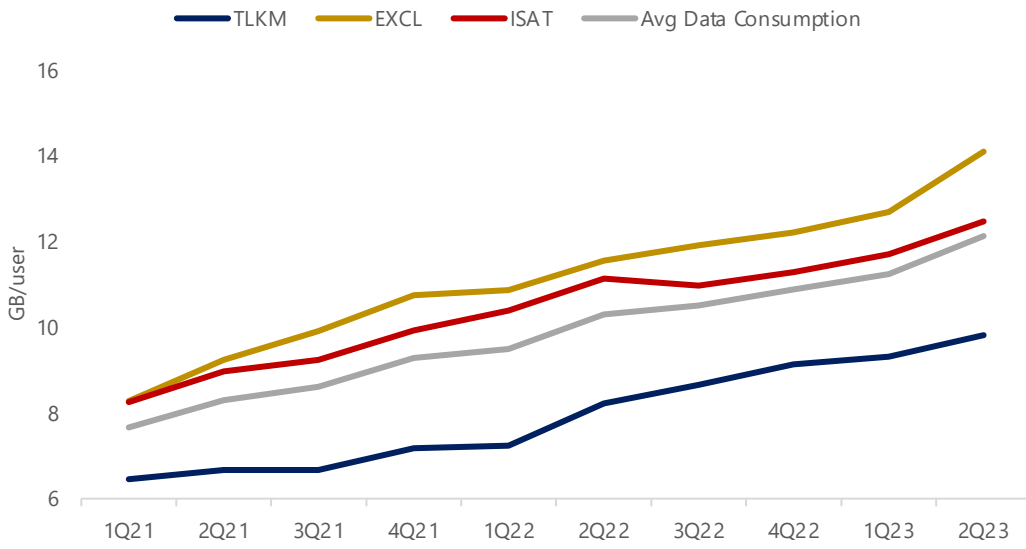
Sources : Company, MNCS

Exhibit 05. EXCL's Blended ARPU



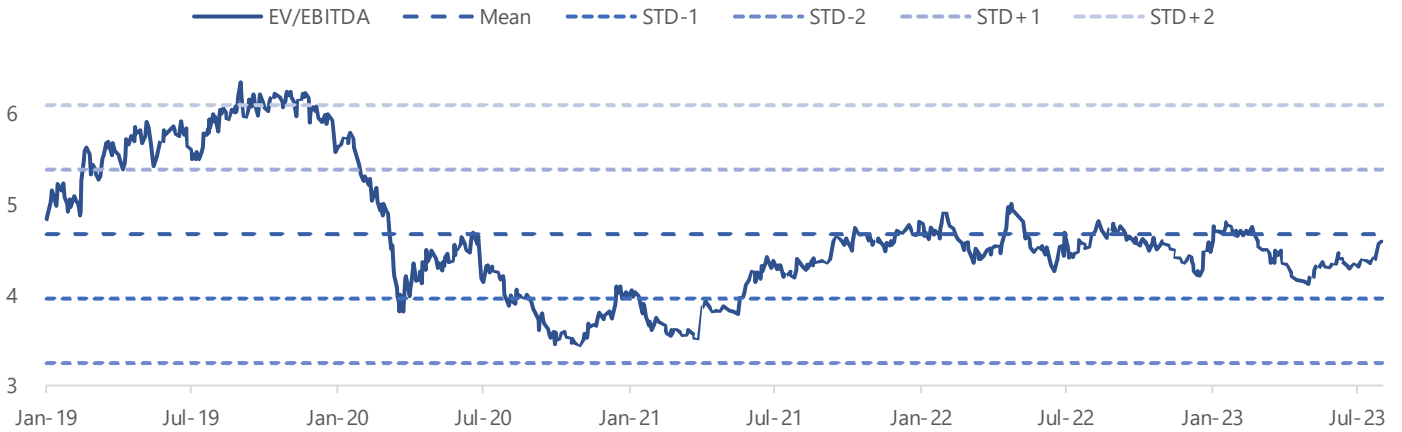
Sources : Company, MNCS

Exhibit 06. Monthly Data Consumption by Three Major Telco Companies



Source : MNCS

Exhibit 07. EXCL is currently traded near the mean of 5-year EV/EBITDA



Sources : Bloomberg, MNCS

Exhibit 08. Financial Projections

Income Statement						Balance Sheet					
IDR bn	2020	2021	2022	2023E	2024F	IDR bn	2020	2021	2022	2023E	2024F
Revenues	26,009.1	26,754.1	29,142.0	31,058.0	33,062.8	Current Assets	7,571.1	7,733.2	10,408.4	9,522.6	10,119.9
Operating Expense	12,949.1	13,467.3	14,906.6	15,809.9	16,647.3	Cash & Cash Equivalents	2,965.6	2,664.4	5,184.1	3,272.0	3,460.2
EBIT	605.3	3,330.6	3,658.2	4,062.0	4,489.4	Account Receivable	450.4	524.5	738.2	774.2	808.7
EBITDA	13,060.0	13,286.8	14,235.3	15,248.1	16,415.4	Inventories	143.4	156.4	408.2	261.2	299.2
Interest Expense	2,667.8	2,378.2	2,777.4	2,343.4	2,525.8	Others current Assets	4,011.8	4,387.9	4,077.9	5,215.2	5,551.8
Other	190.4	97.2	50.4	(13.7)	57.0	Non-Current Assets	60,173.7	65,020.1	76,869.4	80,277.0	83,655.1
Profit Before Tax	146.2	1,707.5	1,353.0	1,704.9	2,020.6	Fixed Asset-net	47,162.3	51,912.2	60,473.6	68,045.3	71,285.0
Tax Expense (Benefit)	(225.4)	419.7	231.8	419.6	547.1	Other Non-Current Assets	13,011.4	13,107.9	16,395.8	12,231.6	12,370.1
Minority Interest	-	-	(11.7)	(11.7)	(11.7)	TOTAL ASSETS	67,744.8	72,753.3	87,277.8	89,799.5	93,775.0
Net Profit	371.6	1,287.8	1,109.4	1,273.6	1,461.8	Current Liabilities	18,857.0	20,953.9	26,350.5	26,012.8	27,293.9
EPS (full amount)	34.7	120.1	84.9	97.4	111.8	Account Payable	7,378.9	10,638.0	11,337.3	13,241.7	14,325.2
						ST Debt	6,242.1	6,276.4	10,918.8	8,407.4	8,323.4
						Other current liabilities	5,236.0	4,039.5	4,094.5	4,363.7	4,645.3
						Non-Current Liabilities	29,750.4	31,710.6	35,153.1	37,293.7	39,163.0
						LT Debt	5,535.9	7,156.5	2,411.2	2,399.1	2,759.0
						Other Non-Current Liabilities	24,214.5	24,554.1	32,741.8	34,894.5	36,404.0
						TOTAL EQUITY	19,137.4	20,088.7	25,774.2	26,493.1	27,318.1
						TOTAL LIABILITIES & EQUITY	67,744.8	72,753.3	87,277.8	89,799.5	93,775.0
Cash Flow						Ratios					
IDR bn	2020	2021	2022	2023E	2024F	IDR bn	2020	2021	2022	2023E	2024F
CFO Total	12,544.2	12,843.3	12,277.9	13,606.9	14,343.9	Revenue Growth (%)	3.5	2.9	8.9	6.6	6.5
Net Income	371.6	1,287.8	1,109.4	1,273.6	1,461.8	EBIT Growth (%)	(76.7)	450.2	9.8	11.0	10.5
Depreciation	12,454.7	9,956.2	10,569.6	11,186.1	11,926.0	EBITDA Growth (%)	31.0	1.7	7.1	7.1	7.7
Change in Working Capital	(519.4)	3,171.9	233.9	2,015.4	1,011.0	Net Profit Growth (%)	(51.0)	246.6	(13.9)	14.8	14.8
Change in Others	237.3	(1,572.6)	364.9	(868.1)	(55.0)	Current Ratio (%)	40.2	36.9	39.5	36.6	37.1
CFI Total	(17,048.8)	(14,802.6)	(22,419.0)	(14,593.6)	(15,304.2)	Quick Ratio (%)	18.1	15.2	22.5	15.6	15.6
Capex	(17,535.3)	(14,706.2)	(19,131.0)	(18,757.7)	(15,165.7)	Receivable Days	6.3	7.2	9.2	9.1	8.9
Change in Others	486.5	(96.5)	(3,287.9)	4,164.2	(138.5)	Inventory Days	4.0	4.2	10.0	6.0	6.6
CFF Total	6,041.4	1,642.4	12,607.1	(925.4)	1,148.5	Payable Days	208.0	288.3	277.6	305.7	314.1
Net Change in Debt	52.5	1,655.0	(103.0)	(2,523.4)	275.8	Debt to Equity (x)	2.5	2.6	2.4	2.4	2.4
Equity financing	31.5	(13.9)	4,938.6	0.0	0.0	Debt to EBITDA (x)	3.7	4.0	4.3	4.2	4.0
Dividend payment	(213.0)	(338.2)	(547.3)	(554.7)	(636.8)	EBIT Margin (%)	2.3	12.4	12.6	13.1	13.6
Others	6,170.4	339.6	8,318.9	2,152.7	1,509.5	EBITDA Margin (%)	50.2	49.7	48.8	49.1	49.6
Net Cash Increase	1,362.1	(301.2)	2,519.7	(1,912.1)	188.2	Net Margin (%)	1.4	4.8	3.8	4.1	4.4
Closing Balance	2,965.6	2,664.4	5,184.1	3,272.0	3,460.2	ROA (%)	0.5	1.8	1.3	1.4	1.6
						ROE (%)	1.9	6.4	4.3	4.8	5.4

Sources : 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

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