



BUY

Target Price : IDR 3,100

Stock Data

Curent Price : IDR 2,220
 52wk Range L-H : IDR 1,710-3,600
 Share Outstanding : 10,688.0 million
 Free Float (%) : 33.64
 Mkt Capitalization : 22,337.8
 (IDR bn)

Major Shareholders

Axiata Investments (Indonesia) Sdn. : 66.36%
 Public : 33.64%



Research Analyst

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PT XL Axiata Tbk (EXCL)

Telecommunication Sector

The Data-Centric Player

3Q18 Highlights: Showing Recovery in Quarterly Basis

EXCL posted revenues of IDR5.85 trillion, an increase of 5.44% QoQ in 3Q18 (vs IDR5.54 tn in 2Q18) mainly driven by data monetization. Data business grew by 6.60% QoQ/6.90% YoY in 3Q18 contributing ~64% to total revenue while Non-data business declined. On 9M18 basis, revenue slipped by -0.07% YoY to IDR16.89 tn in line with our estimate which represent 71.48%/72.39% of the Consensus/MNCS estimate. However, EBITDA was recorded at IDR2.17 tn, or increased by 8.80% QoQ in 3Q18 in-line with growth in revenue and cost efficiency. EBITDA margin showing recovery in 3Q18 stood at 37.22% level (vs 36.07% in 2Q18). Meanwhile, EXCL recorded loss of IDR144.81 bn in 9M18 (IDR63.07 bn in 3Q18), which is lower compared to a IDR238.06 bn profit recorded in 9M17 due to the lower EBIT as a result of higher depreciation and amortization cost.

Focus on Growth of Postpaid Users through Bundling Strategy

The implementation of a smartphone bundling promo with XL Prioritas postpaid service aims to snare postpaid customers who provide a more stable income stream for EXCL. The bundling package will bind customers for a minimum of 12 months, with prices ranging from IDR150k to IDR450k/month. Through a product bundling strategy, we see EXCL able to increase its customer base by 1-2 mn subscriber in FY18E/FY19E. The new tariff that potentially increase in 2H18E-1H19F will gradually push up data yield, so that revenues are predicted to grow by 2.01%/5.20% in FY18E/FY19F.

Development of a Massive 4G LTE Outside Java to Build Data Traffic

EXCL management is convinced FY18E performance is above the industry average, amid generally challenging conditions. In order to keep ahead, EXCL has been expanding the development of a massive 4G LTE protocol outside Java since early 2018. A great opportunity for increased traffic data outside Java is expected to fatten up top-line. We agree, seeing how the management plan to increase tariffs more rationally in 2H18. An increase in the collocation ratio, supported by efficient tower construction costs, is also expected to build margins. Company EBITDA is estimated to be stable at IDR8.59 tn/IDR9.32 tn in FY18E/FY19F, with EBITDA margin at 36.79%/ 37.99% level.

BUY Recommendation for EXCL with TP: Rp3,100

We reiterate our **BUY** call for **EXCL** with lower **TP: IDR3,100** (from IDR3,300) which implies an EV/EBITDA 5.57x/5.06 in FY18E/FY19F. We see the increase in tariffs and bundling strategies carried out by EXCL as driving better performance in 2H18, while exchange rate fluctuations are a principal factor inhibiting performance growth. EXCL is currently traded at a level of -0.5 STD EV/EBITDA (3-year average) with EV/EBITDA of 4.97x.

Key Financial Highlight

IDR billion	FY15	FY16	FY17	FY18E	FY19F
Revenue	22,876.18	21,341.43	22,875.66	23,335.56	24,548.70
EBITDA	8,392.94	8,058.16	8,321.14	8,585.50	9,326.42
Net Profit	(25.44)	375.42	375.20	76.39	356.67
ROA (%)	(0.04)	0.68	0.67	0.13	0.61
ROE (%)	(0.18)	1.77	1.73	0.35	1.62
PBV (x)	1.35	1.11	1.09	1.08	1.07
EV/EBITDA (x)	5.37	5.02	4.67	4.45	4.03

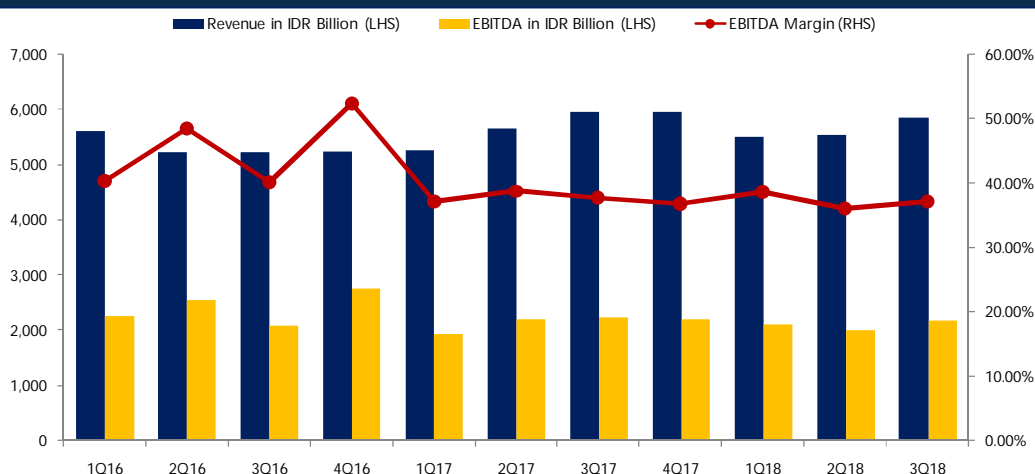
Source: Bloomberg, MNCS as of November 02, 2018

Exhibit 01. 9M18 Financial Summary

IDR Billion	2Q18	3Q18	9M17	9M18	QoQ	YoY	FY18E Consensus	FY18E MNCS	% Consensus	% MNCS
Revenue	5,544.68	5,846.17	16,903.29	16,892.21	5.44%	-0.07%	23,633.00	23,335.56	71.48%	72.39%
Operating Expense	3,545.00	3,671.00	10,701.72	10,731.00	3.55%	0.27%				
EBITDA	2,000.00	2,176.00	6,201.56	6,162.00	8.80%	-0.64%	8,804.00	8,585.50	69.99%	71.77%
EBITDA Margin	36.07%	37.22%	36.69%	36.48%						
Operating Profit	146.00	251.00	1,116.00	535.00	71.92%	-52.06%	1,528.00	1,115.62	35.01%	47.96%
OPM Margin	2.63%	4.29%	6.60%	3.17%						
PBT	(84.00)	(118.71)	192.55	(273.90)	41.32%	-242.25%	450.35	49.60	NA	NA
Net Profit	(97.00)	(63.07)	238.06	(144.81)	-34.98%	-160.83%	139.00	76.39	NA	NA
Net Margin	-1.75%	-1.08%	1.41%	-0.86%						

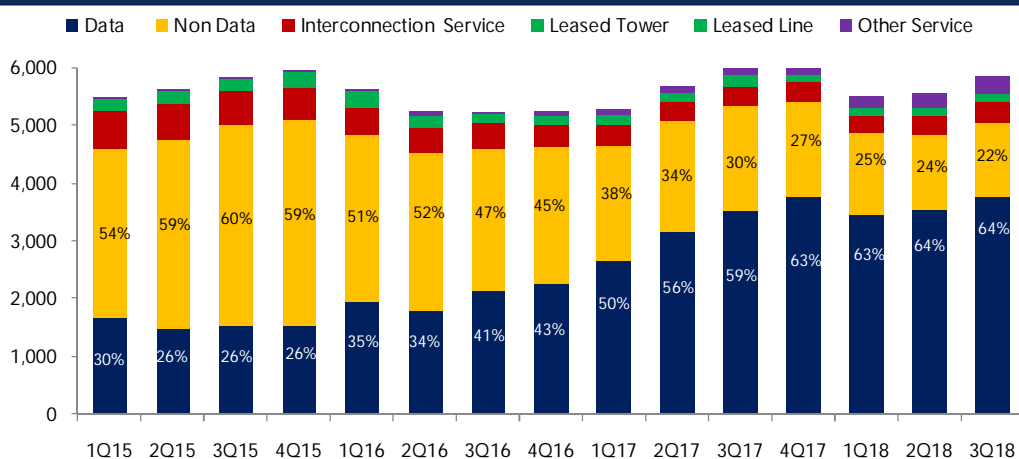
Source: EXCL, Bloomberg, MNCS

Exhibit 02. Revenue Trends, EBITDA and EBITDA Margin on Quarterly Basis



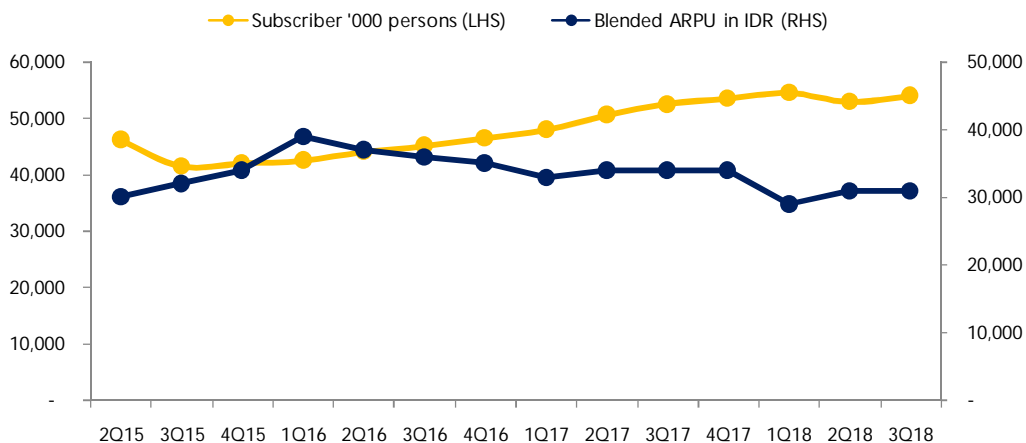
Source: EXCL, Bloomberg, MNCS

Exhibit 03. Revenue Segment in QoQ Basis (IDR Billion)



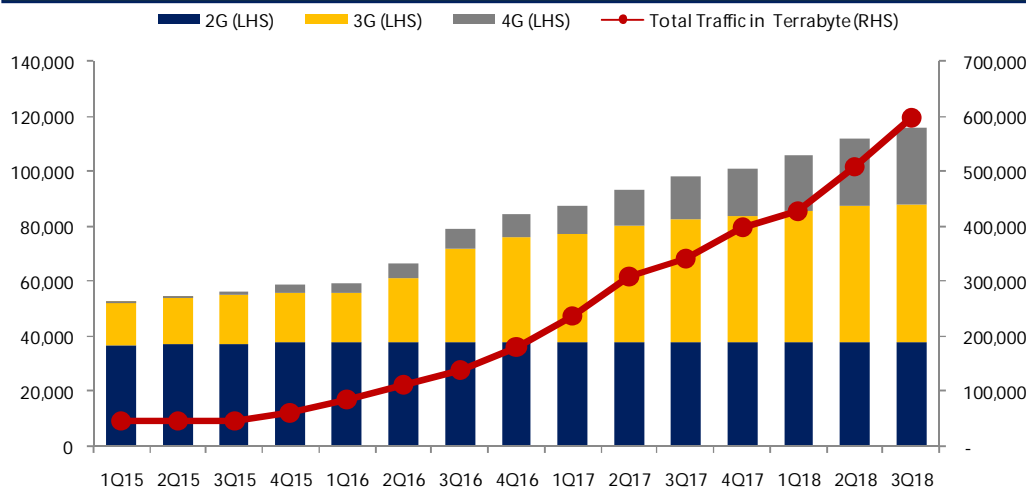
Source: EXCL, MNCS

Exhibit 04. Number of User Base and ARPU Trend



Source: EXCL, MNCS

Exhibit 05. EXCL BTS and Data Traffic Trend



Source: EXCL, MNCS

Exhibit 06. EXCL is currently traded at a level of -0.5 STD EV/EBITDA (3-year average)



Source: Bloomberg as of November 02, 2018, MNCS

Exhibit 07. Financial Projections

Income Statement						Balance Sheet					
IDR Billion	FY15	FY16	FY17	FY18E	FY19F	IDR Billion	FY15	FY16	FY17	FY18E	FY19F
Revenues	22,876	21,341	22,876	23,336	24,549	Current Assets	10,152	6,807	7,181	8,080	9,134
Data	6,216	8,127	13,088	14,627	17,114	Cash & Cash Equivalents	3,312	1,400	2,455	3,152	3,951
Non-Data	16,660	13,214	9,788	8,708	7,435	Account Receivable	898	637	565	713	750
Operating Expense	14,483	13,283	14,554	14,750	15,222	Inventories	79	161	143	117	122
Selling Expenses	1,127	1,433	1,616	1,673	1,759	Others current Assets	5,863	4,609	4,017	4,098	4,311
General and Administrative Expense	660	498	552	586	616	Non-Current Assets	48,693	48,089	49,141	48,956	49,720
Infrastructure Expense	9,286	8,269	8,576	8,785	9,070	Fix Asset - net	33,427	33,183	34,934	34,464	34,474
Operating Profit	1,258	12	1,370	1,116	1,336	Other Non-Current Assets	15,266	14,907	14,207	14,492	15,246
EBITDA	8,393	8,058	8,321	8,586	9,326	TOTAL ASSETS	58,844	54,896	56,321	57,037	58,854
Interest Expense	1,808	1,794	1,539	1,427	1,442	Current Liabilities	15,748	14,477	15,227	15,802	16,984
Interest Income	728	261	244	244	252	Account Payable	6,667	7,568	8,402	8,841	9,661
Other	1,735	1,420	176	117	105	Short-Term Liabilities	4,290	3,973	2,618	2,670	2,809
Profit Before Tax	(631)	185	221	50	251	Other Current liabilities	4,791	2,937	4,207	4,291	4,514
Tax Expense (Benefit)	(605)	(190)	(154)	(27)	(105)	Non-Current Liabilities	29,004	19,210	19,464	19,527	19,806
Minority Interest	-	-	-	-	-	Long-Term Liabilities	25,054	14,394	15,191	15,168	15,220
Net Income	(25)	375	375	76	357	Other Non-Current Liabilities	3,950	4,816	4,273	4,359	4,586
EPS (full amount)	(3)	35	35	7	33	TOTAL EQUITY	14,092	21,209	21,631	21,707	22,064
						TOTAL LIABILITIES & EQUITY	58,844	54,896	56,321	57,037	58,854

Cash Flow						Ratios					
IDR Billion	FY15	FY16	FY17	FY18E	FY19F	Ratio	FY15	FY16	FY17	FY18E	FY19F
CFO Total	6,765	8,900	10,112	7,867	9,135	Revenue Growth (%)	(2.49)	(6.71)	7.19	2.01	5.20
Net Income	(25)	375	375	76	357	EBITDA Growth (%)	(2.67)	(3.99)	3.26	3.18	8.63
Depreciation	7,135	8,046	6,951	7,470	7,990	Net Profit Growth (%)	(99.36)	1,575.81	(0.06)	(79.64)	366.93
Change in WC	1,016	1,080	924	317	778	Current Ratio (%)	64.46	47.02	47.16	51.13	53.78
Change in others	(152)	359	700	(286)	(753)	Quick Ratio (%)	26.73	14.07	19.84	24.46	27.68
CFI Total	(5,261)	(7,225)	(7,809)	(7,286)	(8,753)	Receivable Days	14.33	10.89	9.01	11.15	11.15
Change-ST Investment	-	-	-	-	-	Inventory Days	1.99	4.43	3.59	2.89	2.93
Change-LT Investment	-	-	-	-	-	Payable Days	168.03	207.94	210.71	218.77	231.65
Capex	(5,355)	(7,802)	(8,702)	(7,000)	(8,000)	Debt to Equity (x)	3.18	1.59	1.60	1.63	1.67
Change in Others	(152)	359	700	(286)	(753)	Debt to EBITDA (x)	3.50	2.28	2.14	2.08	1.93
CFF Total	(5,507)	(7,443)	(8,002)	(7,286)	(8,753)	Interest Coverage (x)	0.70	0.01	0.89	0.78	0.93
Net Change in Debt	(2,360)	(10,978)	(558)	30	191	EBITDA Margin (%)	36.69	37.76	36.38	36.79	37.99
Equity financing	36	6,721	18	-	-	Net Profit Margin (%)	(0.11)	1.76	1.64	0.33	1.45
Dividend payment	-	-	-	-	-	ROA (%)	(0.04)	0.68	0.67	0.13	0.61
Others	(2,607)	866	(543)	86	227	ROE (%)	(0.18)	1.77	1.73	0.35	1.62
Net Cash Increase	(3,639)	(1,912)	1,055	697	799	Subscriber (mn)	41.94	46.43	53.50	55.50	56.50
Closing Balance	3,312	1,400	2,455	3,152	3,951						

Source: EXCL, MNCS

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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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