



BUY

Target Price : IDR3,500

Stock Data

Current Price	: 2,600
52wk Range H-L	: 3,380 – 2,160
Share Outstanding	: 10.72 Bn
Free Float	: 38.61%
Mkt Capitalization	: 27.88 (IDR tn)

Major Shareholders

Axiata Investments (Indonesia) Sdn. Bhd.	: 61.16%
Public	: 38.31%
Treasury Shares	: 0.53%



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PT XL Axiata Tbk (EXCL IJ)

Telco Sector

Slow Start at the Beginning of the Year

Revenue Stood at Single Digit

In its 1Q22 performance, EXCL IJ managed to record a revenue of IDR6.75 tn (+7.9% YoY), slightly in-line with our estimates (reaching 24.62%/23.93% of our/cons FY22E estimates). Data revenue remained to be the main driver with an increase of 9.3% YoY, contributed to 84.4% of the total revenue. This was further seen from the data traffic which rose to 1,857 Petabyte (+33.5% YoY), and was mainly driven from the increase in postpaid users to 1.36 mn (+15.3% YoY), as well as the increase in prepaid users to 55.64 mn (+1.5% YoY). In addition, the company managed to improve its annual blended ARPU to IDR36,000 from IDR35,000 with the smartphone penetration rate increased to 93% (+1.0% QoQ/+3.0% YoY), which showed that the company was able to maintain a healthy customer development.

EBITDA Grew Slow, Returned Single Digit

EBITDA grew by 1.8% YoY to IDR3.17 tn, which was in-line with our estimates (reaching 22.85%/22.43% of our/cons FY22E estimates), generating EBITDA margin of 47.1% (vs 48.6% in 1Q21). This was followed by the operational cost which was recorded to be increasing to IDR3.57 tn (+14.1% YoY). This significant increase of the cost was driven by the increase in sales and marketing expenses (+38.8% YoY) due to the rising sales commission for expanding distribution footprint (+50.8% YoY), as well as the company's aggressive approach in marketing in the digital platforms.

Tower Shutdown Remained the Priority

EXCL IJ booked a net income of IDR139.1 bn (-48.8% QoQ/-56.6% YoY), below our estimates (reaching 10.06%/10.24% of our/cons FY22E estimates). Furthermore, the decrease in the bottom line resulted in the net profit margin of 2.1% (vs 1Q21: 5.1%). This was due to higher depreciation and amortization cost (+1.0% QoQ/+5.8% YoY) during the period, which was attributed to EXCL's action in expanding its network by adding more towers in 460 cities, where the total number of towers recorded at 1Q22 to be 133,022 units, consisting of 83,873 4G units and 49,149 2G units (+40% YoY). EXCL IJ managed to shut down its 3G BTS with the remaining total to be 4,566 units in 1Q22 (-91.4% YoY), which would decrease future depreciation cost, thus improving the bottom line.

Boosting Revenue through Convergence

As the main driver of its revenue and a huge potential in fixed broadband (FTTH) services, EXCL IJ is planning to improve its network services by improving its converged services, which EXCL IJ expected it able to minimize the churn rates and improve customer loyalty. To do so, EXCL IJ is currently undergoing acquisition of Link Net (LINK IJ) by acquiring 66% worth IDR8.72 tn at IDR4,800 per share and is expected to be completed in 3Q22E. By acquiring LINK IJ, EXCL IJ plans to revamp its home and convergence service, especially to 'XL Satu' where the company prepares to boost its 'Triple Play' service, XL Axiata's fiber optic service offering fixed broadband, landline and cable TV broadcast. Moreover, EXCL IJ is also undergoing acquisition of PT. Hipernet Indodata, acquiring 51% of the total stakes worth IDR321.3 bn to improve its enterprise segment, especially to the corporate and UMKM B2B businesses. As of 1Q22, EXCL IJ recorded 19% of the converged service penetration. With these undergoing acquisitions, EXCL IJ hopes that it will further improve the company's converged product in the future.

Maintain BUY with TP of IDR3,500

We maintain our **BUY** rating on **EXCL** with a **TP of IDR3,500** which implied **4.1x FY22E EV/EBITDA** (close to mean of its 5-years mean). In line with the company's vision to be the leading converged operator in Indonesia, EXCL IJ is currently undergoing process of acquisition of LINK IJ and PT. Hipernet Indodata to upgrade its converged services which EXCL IJ hopes that it will boost its future revenue.

Key Financial Highlight

Billion IDR	FY19	FY20	FY21	FY22E	FY23F
Revenue	25,150	26,018	26,766	27,398	28,375
Net Income	713	372	1,288	1,333	1,393
EPS (IDR)	67	35	120	125	130
PE (x)	39.00	74.78	21.58	20.85	19.94
BVS (IDR)	1,789.11	1,790.55	1,879.57	2,004.26	2,134.64
PBV (x)	1.45	1.45	1.38	1.30	1.22
EV/EBITDA (x)	5.04	4.34	4.35	4.13	3.83
ROA (%)	1.14	0.55	1.77	1.78	1.86
ROE (%)	3.73	1.94	6.41	6.22	6.11

Sources: Bloomberg, MNCS

Overall, EXCL's Financial Performance was missed from our Projection

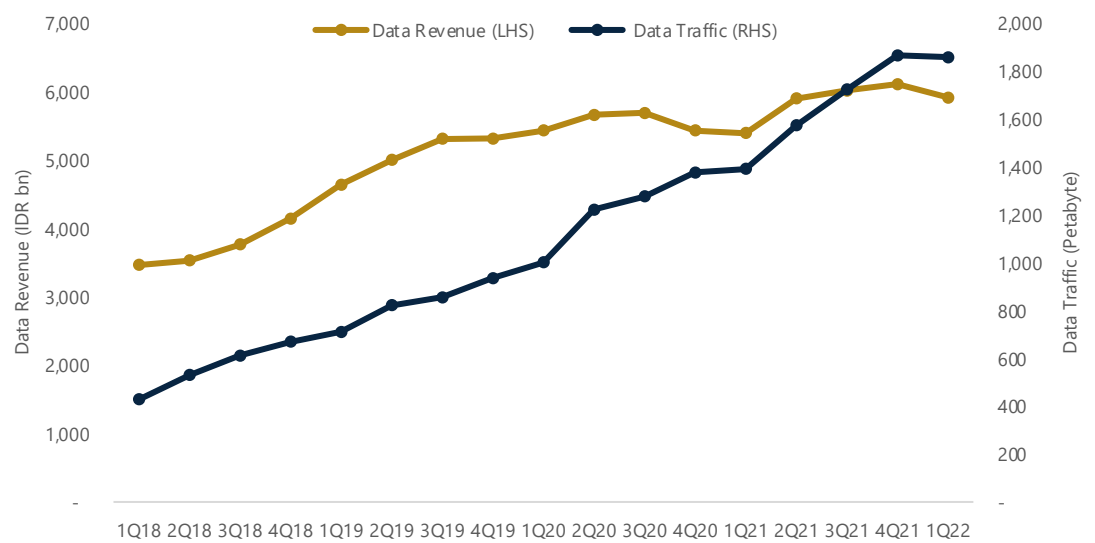
Exhibit 01. EXCL 1Q22 Financial Highlights

IDR (bn)	1Q21	4Q21	1Q22	QoQ	YoY	FY22E Consensus	FY22E MNCS	% Consensus	% MNCS
Revenues	6,250	6,962	6,745	-3.11%	7.93%	28,191	27,398	23.93%	24.62%
Operating Expense	3,129	3,573	3,568	-0.12%	14.05%				
EBIT	3,119	3,381	3,174	-6.13%	1.77%	14,152	13,892	22.43%	22.85%
EBIT Margin	49.90%	48.57%	47.05%						
EBITDA	699	845	613	-27.42%	-12.28%	3,846	3,800	15.94%	16.13%
EBITDA Margin	11.18%	12.13%	9.09%						
PBT	389	451	172	-61.85%	-55.78%	1,734	1,731	9.93%	9.95%
Net Profit - reported	321	271	139	-48.75%	-56.60%	1,358	1,383	10.24%	10.06%
Net Margin	5.13%	3.90%	2.06%						

Source : Bloomberg, MNCS

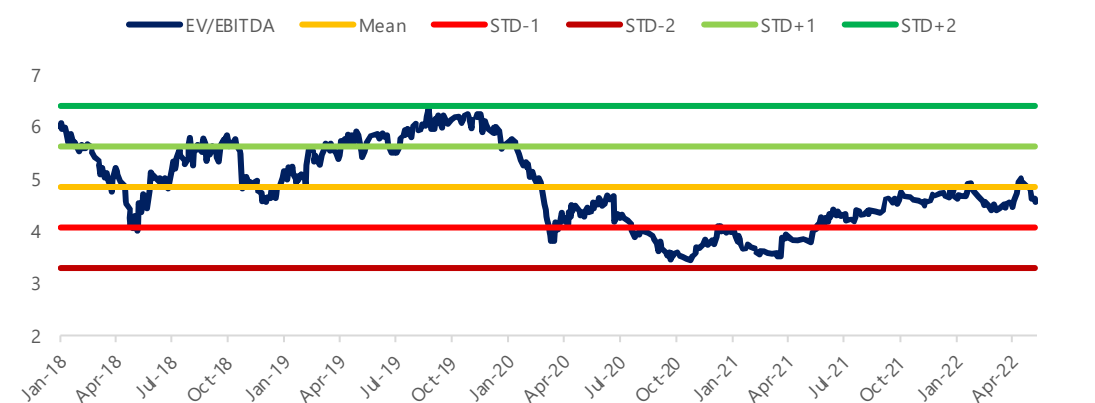
This shows that EXCL's data gets cheaper as demand soars.

Exhibit 02. Trend Showing EXCL's Data Yield (IDR bn/Petabyte) Decreases Over Time



Source : Company, MNCS

Exhibit 03. EXCL is currently trading around the mean of EV/EBITDA.



Source : Bloomberg, MNCS

Exhibit 04. Financial Projections

Income Statement						Balance Sheet					
IDR Billion	2019	2020	2021	2022E	2023F	IDR Billion	2019	2020	2021	2022E	2023F
Revenues	25,150	26,018	26,766	27,398	28,375	Cash and cash equivalents	7,146	7,571	7,733	8,100	8,110
Data	19,288	21,385	22,693	23,725	24,939	Trade Receivables	1,603	2,966	2,664	2,685	2,503
Non-data	5,862	4,633	4,074	3,672	3,436	Inventory	663	450	525	837	867
Operating Expense	15,166	12,949	13,467	13,493	13,729	Other Current Assets	75	143	156	87	88
Selling Expenses	1,970	1,805	2,567	2,617	2,711	Total Current Assets	4,805	4,012	4,388	4,491	4,652
General and Administrative	531	335	299	243	218	Fixed Assets-net	55,580	60,174	65,020	66,765	66,953
Infrastructure Expense	9,471	7,974	7,990	8,134	8,320	Other Non-Current Assets	42,082	47,162	51,912	53,348	53,057
Operating Profit	2,603	605	3,331	3,800	4,077	Total Non-Current Assets	13,498	13,011	13,108	13,417	13,896
EBITDA	9,966	13,060	13,287	13,892	14,633	TOTAL ASSETS	62,725	67,745	72,753	74,865	75,063
Interest Expense	2,243	2,668	2,378	2,651	2,726	Trade Payables	21,293	18,857	20,954	22,283	22,529
Interest Income	111	183	88	88	88	Short-term Debt	9,181	8,020	11,298	12,398	12,292
Other	672	2,018	658	493	370	Other current liabilities	4,619	4,536	3,358	3,437	3,560
Profit Before Tax	1,144	146	1,708	1,731	1,810	Total Current Liabilities	7,492	6,302	6,298	6,447	6,677
Tax Expense (Benefit)	432	(225)	420	398	416	Long-term Debt	22,311	29,750	31,711	31,161	29,719
Minority Interest	-	-	-	-	-	Other Long-term liabilities	19,470	27,386	29,372	28,767	27,240
Net Income	713	372	1,288	1,333	1,393	Total Long-term Liabilities	2,840	2,365	2,338	2,394	2,479
EPS (full amount)	67	35	120	125	130	Total Equity	19,122	19,137	20,089	21,421	22,815
						TOTAL LIABILITIES & EQUITY	62,725	67,745	72,753	74,865	75,063

Cash Flow						Ratios					
IDR Billion	2019	2020	2021	2022E	2023F	IDR Billion	2019	2020	2021	2022E	2023F
CFO Total	12,609	11,411	14,055	12,328	11,882	Revenue Growth (%)	9.34	3.45	2.88	2.36	3.57
EBIT	713	372	1,288	1,333	1,393	EBITDA Growth (%)	17.08	31.04	1.74	4.56	6.36
Depreciation	7,363	12,455	9,956	10,092	10,556	Net Profit Growth (%)	(121.04)	(47.85)	246.56	7.36	10.91
Change in Working Capital	(830)	(1,018)	3,191	858	(137)	Current Ratio (%)	33.56	40.15	36.91	36.57	36.84
Change in others	298	486	(96)	(309)	(479)	Quick Ratio (%)	10.64	18.12	15.22	16.03	15.81
CFI Total	(12,387)	(17,049)	(14,803)	(11,837)	(10,744)	Receivable Days	9.62	6.32	7.15	11.15	11.15
Change in Intangibles	-	-	-	-	-	Inventory Days	1.80	4.04	4.24	2.34	2.34
Change in Investment	-	-	-	-	-	Payable Days	220.96	226.05	306.20	335.40	330.23
Capex	(12,685)	(17,535)	(14,706)	(11,528)	(10,265)	Debt to Equity (x)	2.28	2.54	2.62	2.49	2.27
Change in other	298	486	(96)	(309)	(479)	Net Debt to EBITDA (x)	4.38	3.72	3.96	3.85	3.54
CCF Total	(12,387)	(17,049)	(14,803)	(11,837)	(10,744)	EBIT Margin (%)	10.35	2.33	12.44	13.87	14.37
Debt Proceeds (Repayment)	472	7,832	809	(526)	(1,405)	EBITDA Margin (%)	39.63	50.20	49.64	50.71	51.57
Dividend to MI	53	(103)	(14)	-	-	Net Profit Margin (%)	2.83	1.43	4.81	4.86	4.91
Dividend	-	-	-	-	-	ROA (%)	1.14	0.55	1.77	1.78	1.86
Other	(204)	(476)	(26)	55	85	ROE (%)	3.73	1.94	6.41	6.22	6.11
Net Cash Increase	556	1,362	(301)	20	(181)						
Closing Balance	1,603	2,966	2,664	2,685	2,503						

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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