

BUY | TP : IDR2,850
EXCL Stock Price Data

Last Price	:	IDR2,310
52wk High	:	IDR2,640
52wk Low	:	IDR1,695
Share Out	:	13.07tn
Market Cap	:	IDR30.5tn

EXCL Stock Price Performance

1-Day	:	+2.6%
1-Week	:	+2.2%
1-Month	:	-6.4%
3-Month	:	+15.9%
Year-to-Date	:	+16.5%

Shareholders

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

PT XL Axiata Tbk (EXCL IJ)
FY23's Achievement Hit Home, to Continue with Modesty in FY24E
EXCL's stellar achievement of FY23...

EXCL posted a double-digit revenue growth (+10.9% YoY) at IDR32.4tn in FY23, meeting our estimation and consensus at 99.7%/101.6%. This performance was primarily driven by management's monetization efforts, which includes push on digitalization and personalization for customer experience and price adjustment, resulting in a blended ARPU of IDR42k based on our calculation (vs IDR39k in FY22) amidst a stable number of subscribers. This revenue rise is predominantly supported by the data and digital services segment (8.3%/+10.8% in FY22/FY23), a lower revenue discount (+152.4%/-53.2% in FY22/FY23), and the managed service and IT as its recent business segment. With manageable growth of operating expense at +10.3% YoY (vs +10.7% YoY in FY22), EXCL's EBITDA successfully increased from +7.1% YoY in FY22 to +11.6% YoY in FY23, reflecting 98.0%/101.4% of MNCS/Consensus. EXCL managed to book a +14.6% YoY of net income growth in FY23, rebounding from a -13.85% YoY decline in the previous year.

... to continue with a modest outlook in FY24E

Looking forward to FY24E, we estimate a more conservative growth trajectory for both revenue (+7.4%) and EBITDA (+7.6%), in line with management's target at high-single digit top line and EBITDA margin at ~50%. Our rationale stems from a more constructive competitive landscape in the MNO market recently and EXCL's steady subscribers base, positioning it for further monetization opportunities in the future. Furthermore, management targets IDR8tn for capitalized capex for FY24, following the realization at IDR7.2tn in FY23. While its ending cash balance dropped from IDR5.2tn in FY22 to IDR966bn in FY23, we observe EXCL's DER to be at 2.3x/2.4x in FY23/FY24E, enabling it to leverage loan to support its acquisitions plans this year.

EXCL LINKed: Advancing FBB Business Through Delaying

EXCL is entering a binding agreement with LINK to acquire Link Net's FBB subscribers, expected to be completed in 1H24. While further details of this transaction remain confidential for now, we observe that this transaction should bode well with EXCL, considering several factors: 1) The delayering process will incorporate approximately 750k subscribers, augmenting EXCL's FBB subscriber base to 1mn, making it the second-largest player in the FBB industry after IndiHome (8.08mn subscribers); 2) Our calculation of LINK's blended ARPU is at IDR433k as of FY23. While EXCL's revenue of home broadband under the data and digital services segment is undisclosed, we roughly estimate its current ARPU at IDR259k-IDR369k, resulting an estimated ARPU of IDR346k-IDR401k after the acquisition; 3) LINK will now focus on building new network of 2mn and then 6.5mn home passed that will enhance EXCL's ability in providing the FBB and FMC network services to its customers.

A glance at traffic dynamics during festive seasons

EXCL demonstrated its capacity to maintain service performance, evidenced by an 11% surge in traffic during the election on February 14th, 2024, compared to normal days. This places EXCL as the second highest among other MNOs, with Indosat leading at a 12% traffic increase, followed by Telkomsel at 8.4%. Furthermore, according to forecasts from Kominfo, traffic during Eid is expected to rise by 7%-20% this year. Reflecting on last year's Eid, XL saw a notable 30% increase in data traffic, followed by Indosat at 25%, Smartfren at 14%, and Telkomsel at 11%.

Maintaining a BUY rating, TP: IDR2,850/Share

We maintain a BUY recommendation for EXCL with TP of IDR2,850/share (+22.3% upside), implying 4.97x of FY24E EV/EBITDA. Reflecting from its 5-year EV/EBITDA, EXCL is currently trading near its mean level. The downside risks to our call include: 1) higher-than-expected interest expense; 2) tight competition in the MNO market.

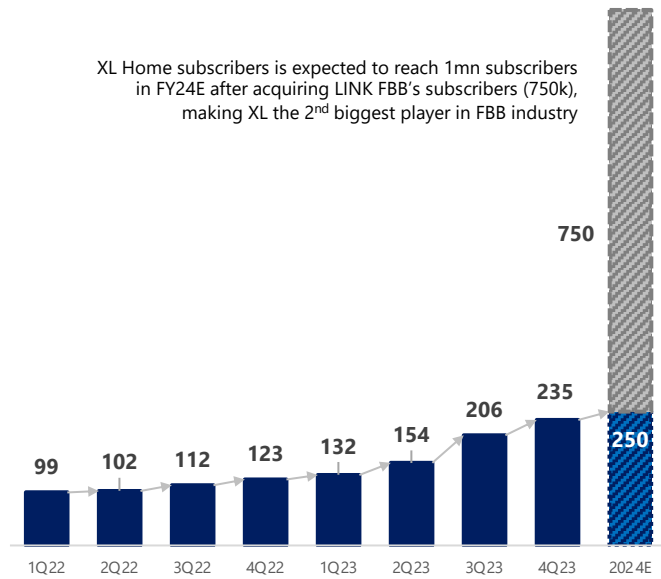

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Key Financial Highlight	FY21	FY22	FY23A	FY24E	FY25F
Revenue (IDR Bn)	26,754.1	29,142.0	32,322.7	34,722.4	37,366.6
Net Income (IDR Bn)	1,287.8	1,109.4	1,271.1	1,500.0	1,901.7
EPS (IDR)	120.1	84.9	97.2	114.8	145.5
PE (x)	19.40	27.45	23.96	20.30	16.02
BVS (IDR)	1,873.1	1,971.7	2,027.6	2,097.8	2,188.5
PBV (x)	1.24	1.18	1.15	1.11	1.06
EV/EBITDA (x)	6.8	6.4	5.7	5.3	4.8
ROA (%)	1.8%	1.3%	1.4%	1.6%	2.0%
ROE (%)	6.4%	4.3%	4.8%	5.5%	6.6%

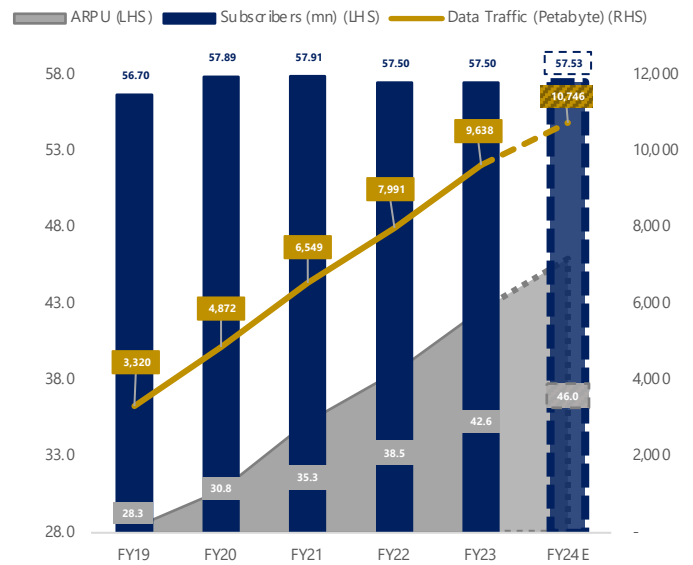
Sources : Bloomberg, MNCS Research

Exhibit 01. XL Home Subscribers ('000)



Sources : Company, MNCS Research

Exhibit 02. EXCL's uptrend of ARPU, in line with Data Traffic amidst stable number of subscribers



Sources : Company, MNCS Research

Exhibit 03. EXCL's Actual Performance vs MNCS/Consensus Estimations

IDR bn	FY22	FY23	%YoY	MNCS	Cons.	MNCS%	Cons%
Revenue	29,142	32,323	10.9%	32,432	31,823	99.7%	101.6%
Opex	14,907	16,438	10.3%				
EBITDA	14,235	15,885	11.6%	16,210	15,661	98.0%	101.4%
EBITDA Margin (%)	48.8%	49.1%		50.0%	49.2%		
EBIT	3,658	4,380	19.7%	4,421	4,323	99.1%	101.3%
EBIT Margin (%)	12.6%	13.6%		13.6%	13.6%		
PBT	1,353	1,705	26.0%				
Net Income	1,109	1,271	14.6%	1,488	1,294	85.4%	98.3%
Net Margin (%)	3.8%	3.9%		4.6%	4.1%		

Sources : Bloomberg, MNCS Research

Exhibit 04. EXCL is currently trading near the mean of 5-Year EV/EBITDA



Sources : Bloomberg, MNCS Research

Exhibit 05. Financial Projections

Income Statement						Balance Sheet					
IDR Billion	2021	2022	2023	2024E	2025F	IDR Billion	2021	2022	2023	2024E	2025F
Revenues	26,754.1	29,142.0	32,322.7	34,722.4	37,366.6	Current Assets	7,733.2	10,408.4	7,173.5	8,882.5	9,379.4
Operating Expense	13,467.3	14,906.6	16,437.9	17,624.1	18,409.2	Cash and Cash Equivalents	2,664.4	5,184.1	966.0	2,898.8	3,519.1
Operating Profit	3,330.6	3,658.2	4,379.8	4,824.3	5,628.4	Account Receivable	524.5	738.2	1,385.8	1,010.3	1,041.5
EBITDA	13,286.8	14,235.3	15,884.7	17,098.3	18,957.4	Inventories	156.4	408.2	377.9	455.1	472.1
Interest Expense	2,378.2	2,777.4	2,940.0	3,184.7	3,462.4	Others Current Assets	4,387.9	4,077.9	4,443.8	4,518.4	4,346.7
Other	97.2	50.4	113.1	134.1	132.8	Non-Current Assets	65,020.1	76,869.4	80,514.6	84,108.6	87,612.1
Profit Before Tax	1,707.5	1,353.0	1,704.5	1,913.0	2,420.8	Fix Asset- Net	51,912.2	60,473.6	63,890.5	66,250.2	68,393.8
Tax Expense (Benefit)	419.7	231.8	420.1	399.6	505.7	Other Non-Current Assets	13,107.9	16,395.8	16,624.1	17,858.3	19,218.3
Minority Interest	-	(11.7)	(13.3)	(13.3)	(13.3)	TOTAL ASSETS	72,753.3	87,277.8	87,688.1	92,991.1	96,991.5
Net Income	1,287.8	1,109.4	1,271.1	1,500.0	1,901.7	Current Liabilities	20,953.9	26,350.5	20,142.0	22,499.4	24,389.4
EPS (full amount)	120.1	84.9	97.2	114.8	145.5	Account Payable	10,638.0	11,337.3	9,382.5	10,705.5	11,926.0
						Short Term Debt	6,276.4	10,918.8	6,876.7	7,622.8	7,974.7
						Other Current Liabilities	4,039.5	4,094.5	3,882.8	4,171.1	4,488.7
						Non-Current Liabilities	31,710.6	35,153.1	41,041.3	43,069.9	43,993.7
						Long-Term Liabilities- Net	28,001.6	28,964.5	35,399.6	37,009.4	37,471.6
						Other Non-Current Liabilities	3,709.0	6,188.6	5,641.7	6,060.6	6,522.1
						TOTAL EQUITY	20,088.7	25,774.2	26,504.8	27,421.8	28,608.3
						TOTAL LIABILITIES & EQUITY	72,753.3	87,277.8	87,688.1	92,991.1	96,991.5

Cash Flow						Ratios					
IDR Billion	2021	2022	2023	2024E	2025F	2021	2022	2023E	2024E	2025F	
CFO Total	12,843.3	12,277.9	12,265.4	17,424.7	18,463.8	Revenue Growth (%)	2.9	8.9	10.9	7.4	7.6
Net Income	1,287.8	1,109.4	1,271.1	1,500.0	1,901.7	EBIT Growth (%)	450.2	9.8	19.7	10.1	16.7
Depreciation	9,956.2	10,569.6	11,505.0	12,274.0	13,329.0	EBITDA Growth (%)	1.7	7.1	11.6	7.6	10.9
Change in Working Capital	3,171.9	233.9	(2,572.1)	1,621.3	1,172.3	Net Profit Growth (%)	246.6	(13.9)	14.6	18.0	26.8
Change in Others	(1,572.6)	364.9	2,061.4	2,029.3	2,060.7	Current Ratio (%)	36.9	39.5	35.6	39.5	38.5
CFI Total	(14,802.6)	(22,438.6)	(17,794.0)	(17,683.6)	(18,404.0)	Quick Ratio (%)	15.2	22.5	11.7	17.4	18.7
Capex	(14,706.2)	(19,150.7)	(15,532.0)	(16,449.4)	(17,044.0)	Receivable Days	7.2	9.2	15.6	10.6	10.2
Change in Others	(96.5)	(3,287.9)	(2,262.0)	(1,234.2)	(1,360.0)	Inventory Days	4.2	10.0	8.4	9.4	9.4
CCF Total	1,642.4	12,610.3	1,310.5	2,191.6	560.6	Payable Days	288.3	277.6	208.3	221.7	236.5
Net Change in Debt	2,887.0	5,605.2	2,393.1	2,355.8	814.2	Debt to Equity (x)	2.6	2.4	2.3	2.4	2.4
Equity Financing	(13.9)	4,938.6	0.0	0.0	0.0	Debt to EBITDA (x)	4.0	4.3	3.9	3.8	3.6
Dividend Payment	(338.2)	(544.1)	(549.0)	(583.0)	(715.2)	EBIT Margin (%)	12.4	12.6	13.6	13.9	15.1
Others	(892.5)	2,610.6	(533.5)	418.9	461.5	EBITDA Margin (%)	49.7	48.8	49.1	49.2	50.7
Net Cash Increase	(301.2)	2,519.7	(4,218.1)	1,932.7	620.4	Net Profit Margin (%)	4.8	3.8	3.9	4.3	5.1
Closing Balance	2,664.4	5,184.1	966.0	2,898.8	3,519.1	ROA (%)	1.77	1.27	1.45	1.61	1.96
						ROE (%)	6.4	4.3	4.8	5.5	6.6

Sources : Company, MNCS Research

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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