

XL Axiata

BUY (unchanged)

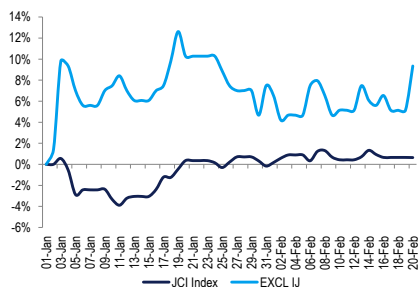
Company Update | Telecommunications | EXCL IJ | 20 February 2023

Stock Data

Target price	Rp3,500
Prior TP	Rp3,500
Current price	Rp2,340
Upside/downside	+50%
Shares outstanding (mn)	13,128
Market cap (Rp bn)	30,721
Free float	33%
Avg. 6m daily T/O (Rp bn)	35

Price Performance

	3M	6M	12M
Absolute	2.2%	-10.0%	-20.7%
Relative to JCI	4.8%	-6.1%	-20.7%
52w low/high (Rp)	2,010 – 3,290		



Major Shareholders

Axiata Investments	61.2%
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4Q22 results: in-line EBITDA but miss in profit due to lease-related one-offs

- FY22 EBITDA reached Rp14.2tr (+7% yoy), in-line with our and cons.
- Deleveraging exercise was completed in Jan23 and should translate to c.12% lower interest burden or around +18% to FY23F earnings.
- We expect EBITDA margin to continue to improve on better monetization and cost discipline. Reiterate Buy.

EBITDA met ours and consensus estimates

Net profit reached Rp121bn (-55.5% yoy/-67.5% qoq) in 4Q22, bringing FY22 net profit to Rp1.1tr (-13.9% yoy) – below our/cons forecasts (89%/86% of our/cons), mainly due to one-off D&A charges and financing costs related to lease term adjustments post-renegotiation with towercos. 4Q22 EBITDA rose to Rp3.9tr (+14.1% yoy/+5.9% qoq). EBITDA margin expanded sequentially to 51.1% (+250bps yoy/+269bps qoq) in the quarter, as cash opex remained manageable (+3.2% yoy/-4.9% qoq). In FY22, EBITDA grew to Rp14.2tr (+7.1% yoy) – in-line with our/consensus estimates (101%/100% of our/cons estimates), implying EBITDA margin of 48.8% (-81bps yoy). 4Q22 revenue came in at Rp7.5tr (+8.5% yoy/+0.3% qoq), translating to FY22 revenue of Rp29.1tr (+8.9% yoy) – in-line (101% of our/cons).

Stable ARPU and subscriber base sequentially

ARPU was flat qoq, despite subs net add of c.200k in the quarter, which indicates value-accretive new subs. Note that management plans to increase data package prices across the board in the upcoming weeks, as competitive landscape remains favorable. On a separate note, 3G shutdown process remained on-track (c.98% as of FY22 vs. c.22% in FY21), and thus, we continue to expect lower direct costs in 2Q23 onwards.

Deleveraging exercise was completed in Jan23

Post-rights issue (Rp5tr; completed in Dec22), the company paid down its debt in two stages – Rp3.2tr in Dec22 and Rp1.8tr in Jan23. As a result, its net debt/EBITDA (ex. leases) declined from 0.6x in FY21 to 0.4x in FY22, while its exposure to floating-rate debt also declined from 78% in FY21 to 64% in FY22. This should result in the reduction of interest burden by around Rp315bn, which could lift its FY23F bottom-line by c.18%, on our estimates. The additional balance sheet capacity, in our view, could also prove to be key in the long-term, given the upcoming spectrum auctions.

Maintain BUY, with an unchanged TP of Rp3,500

We maintain our BUY rating on EXCL with an unchanged blended valuation-based (DCF and EV/EBITDA multiple) 12-month TP of Rp3,500. Downside risk is intensifying competition.

Financial Summary (Rp bn)	2021A	2022A	2023F	2024F	2025F
Revenue	26,754	29,142	30,920	32,916	34,508
EBITDA	13,287	14,235	15,520	16,778	17,793
EBITDA growth	1.7%	7.1%	11.1%	8.1%	6.0%
Net profit	1,288	1,109	1,750	2,086	2,382
EPS (Rp)	120	104	164	195	223
EPS growth	246.6%	-13.9%	57.8%	19.2%	14.2%
ROE	6.4%	4.3%	8.2%	9.4%	10.0%
PER (x)	19.4	22.6	14.3	12.0	10.5
EV/EBITDA (x)	4.4	4.6	3.7	3.4	3.1
Dividend yield	1.4%	2.7%	4.2%	5.0%	5.7%
IPS vs. consensus			97%	102%	101%

Source: Company, Indo Premier

Share price closing as of: 20 February 2023

Fig. 1: EXCL IJ – 4Q22 result summary

EXCL (Rp bn)	4Q22	4Q21	% YoY	3Q22	% QoQ	FY22	FY21	% YoY	% of IP	% of Cons
Revenue	7,547	6,954	8.5%	7,521	0.3%	29,142	26,754	8.9%	100.9%	101.1%
Operating expenses	(6,585)	(6,109)	7.8%	(6,462)	1.9%	(25,484)	(23,423)	8.8%		
Operating profit	962	845	13.9%	1,058	-9.1%	3,658	3,331	9.8%		
EBITDA	3,858	3,381	14.1%	3,643	5.9%	14,235	13,287	7.1%	100.9%	100.4%
Other income/(expense)	(802)	(393)	104.1%	(593)	35.3%	(2,305)	(1,623)	42.0%		
Pre-tax profit	160	451	-64.6%	465	-65.7%	1,353	1,708	-20.8%		
Taxes	(27)	(180)	-84.9%	(94)	-71.0%	(232)	(420)	-44.8%		
Net profit	121	271	-55.5%	372	-67.5%	1,109	1,288	-13.9%	88.6%	86.1%
Margin (%)										
EBITDA margin	51.1%	48.6%		48.4%		48.8%	49.7%			
Net margin	1.6%	3.9%		4.9%		3.8%	4.8%			
Operational data										
Data and digital services	6,836	6,415	6.6%	6,846	-0.1%	26,550	24,508	8.3%		
Others	716	546	31.1%	687	4.2%	2,623	2,259	16.1%		
Data traffic (PB)	2,106	1,864	13.0%	2,045	3.0%	7,991	6,549	22.0%		
Blended ARPU (Rp k/month)	40,000	37,000	8.1%	40,000	0.0%	40,000	36,000	11.1%		
Subscribers (mn people)	57.5	57.9	-0.7%	57.4	0.2%	57.5	57.9	-0.7%		

Source: Company, Indo Premier

Income Statement (Rp bn)	2020A	2021A	2022F	2023F	2024F
Net revenue	26,009	26,754	28,883	30,920	32,916
Cost of sales	-	-	-	-	-
Gross profit	26,009	26,754	28,883	30,920	32,916
SG&A Expenses	(25,404)	(23,423)	(25,319)	(26,309)	(27,937)
Operating profit	605	3,331	3,564	4,611	4,979
EBITDA	13,060	13,287	14,112	15,520	16,778
Net interest	(2,485)	(2,290)	(2,476)	(2,508)	(2,480)
Forex gain (loss)	8	10	(0)	(0)	(0)
Others	2,018	658	422	-	-
Pre-tax income	146	1,708	1,509	2,103	2,499
Income tax	225	(420)	(260)	(357)	(425)
Minority interest	-	-	-	-	-
Net income	372	1,288	1,250	1,745	2,074

Balance Sheet (Rp bn)	2020A	2021A	2022F	2023F	2024F
Cash & equivalent	2,966	2,664	2,579	3,199	2,988
Receivable	560	610	633	678	721
Other current assets	4,045	4,459	4,570	4,709	4,854
Total current assets	7,571	7,733	7,782	8,586	8,564
Fixed assets	47,162	51,912	49,326	47,439	47,439
Goodwill	13,011	13,108	13,763	14,451	15,174
Total non-current assets	60,174	65,020	63,089	61,891	62,613
Total assets	67,745	72,753	70,871	70,476	71,177
Payable	7,417	10,705	7,908	8,217	8,725
Other payables	5,198	3,973	3,576	3,611	3,648
Current portion of LT loans	6,242	6,276	6,586	6,346	6,231
Total current liab.	18,857	20,954	18,070	18,175	18,604
Long term loans	27,386	29,372	30,005	28,911	28,386
Other LT liab.	2,365	2,338	2,124	2,023	1,997
Total liabilities	48,607	52,665	50,198	49,108	48,987
Equity	13,168	13,154	13,154	13,154	13,154
Retained earnings	5,969	6,934	7,519	8,214	9,036
Minority interest	-	-	-	-	-
Total SHE + minority int.	19,137	20,089	20,673	21,368	22,190
Total liabilities & equity	67,745	72,753	70,871	70,476	71,177

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2020A	2021A	2022F	2023F	2024F
Net income	372	1,288	1,250	1,745	2,074
Depr. & amortization	12,420	9,952	10,385	10,544	11,799
Changes in working capital	(282)	1,599	(3,328)	162	355
Others	11	(123)	(870)	(789)	(748)
Cash flow from operating	12,520	12,716	7,436	11,662	13,480
Capital expenditure	(17,535)	(14,706)	(7,813)	(9,023)	(11,799)
Others	35	4	15	365	-
Cash flow from investing	(17,501)	(14,702)	(7,798)	(8,658)	(11,799)
Loans	6,699	2,021	943	(1,334)	(641)
Equity	(103)	(14)	-	-	-
Dividends	(213)	(338)	(665)	(1,050)	(1,252)
Others	-	-	-	-	-
Cash flow from financing	6,383	1,669	277	(2,384)	(1,892)
Changes in cash	1,362	(301)	(85)	620	(211)

Key Ratios	2020A	2021A	2022F	2023F	2024F
Gross margin	100.0%	100.0%	100.0%	100.0%	100.0%
EBITDA margin	50.2%	49.7%	48.9%	50.2%	51.0%
Pre-tax margin	0.6%	6.4%	5.2%	6.8%	7.6%
Net margin	1.4%	4.8%	4.3%	5.6%	6.3%
ROA	0.5%	1.8%	1.8%	2.5%	2.9%
ROE	1.9%	6.4%	6.0%	8.2%	9.3%
ROIC	1.3%	6.5%	6.6%	8.5%	9.3%

Acct. receivables TO (days)	9	8	8	8	8
Acct. payables - other TO (days)	112	141	141	141	141

Net debt/EBITDA (inc.leases) (x)	2.3	2.5	2.4	2.1	1.9
Net debt/EBITDA (ex. leases) (x)	0.5	0.6	0.6	0.4	0.4
Interest coverage (x)	0.2	1.4	1.4	1.8	2.0

Source: Company, Indo Premier

INVESTMENT RATINGS

BUY	: Expected total return of 10% or more within a 12-month period
HOLD	: Expected total return between -10% and 10% within a 12-month period
SELL	: Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION

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