

XL Axiata

BUY (unchanged)

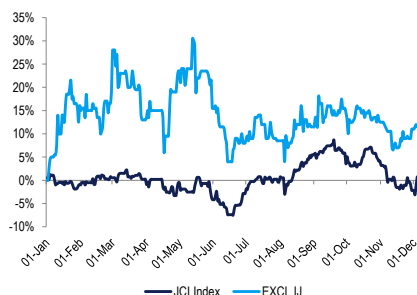
Company Update | Telecommunications | EXCL IJ | 11 December 2024

Stock Data

Target price	Rp3,100
Prior TP	Rp3,100
Current price	2,240
Upside/downside	38.4%
Shares outstanding (mn)	13,128
Market cap (Rp bn)	29,408
Free float	33%
Avg. 6m daily T/O (Rp bn)	54

Price Performance

	3M	6M	12M
Absolute	-1.3%	0.9%	16.1%
Relative to JCI	2.5%	-8.0%	11.3%
52w low/high (Rp)	1,895 – 2,610		



Major Shareholders

Axiata Investments	66.3%
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Our takeaways on the merger between EXCL and FREN

- Axiata Group and Sinarmas Group have agreed to merge EXCL, FREN, and SmartTel.
- The new entity, XLSmart was valued at c.Rp57.5tr mkt cap, implying 5.3x EV/EBITDA (fig. 4).
- Potential synergy is a boon; maintaining forecasts and rating for now.

Merger is expected to be completed by 15Apr25

Axiata Group and Sinarmas Group have signed a definitive agreement to merge PT XL Axiata Tbk (EXCL), PT Smartfren Telecom Tbk (FREN), and PT Smart Telkom (SmartTel), pending government and EGMS approval. FREN will be delisted and EXCL shall be the surviving entity under the new name of PT XLSmart Telecom Sejahtera Tbk (XLSmart). The merged entity will be the third largest operator in Indonesia with annual revenue of c.US\$2.8bn (c.Rp45.4tr) and c.US\$1.4bn EBITDA (c.Rp22.4tr) implying 49.4% EBITDA margin. In addition, it also expects annual run-rate pre-tax synergies of c.US\$300-400mn post integration which is comparable to recent ISAT-Hutch merger synergy.

Details on the transaction

Axiata Group currently has 66.5% ownership in EXCL through Axiata Investments. The merger will be done through rights issue i.e. issuance of 5,071mn new shares with 27.95% dilution (Axiata Group receiving 47.9% ownership and Sinarmas Group receiving 21.7% ownership in XLSmart through various companies i.e. PT Bali Media Telekomunikasi (BMT), PT Global Nusa Data, PT Wahana Inti Nusantara, and PT Gerbangmas Tunggal Sejahtera). Concurrent with the merger, Sinarmas Group through BMT will acquire a 13.1% stake from Axiata Group at US\$475mn (c.Rp7.52tr) with the following steps: a) US\$400mn payment at the merger completion date on 15th Apr25; and b) US\$75mn payment at the end of the first year subject to the satisfaction of certain conditions. Post-merger, Axiata Group and Sinarmas Group would each own 34.8% stake in XLSmart and will remain joint controlling shareholders. While the merger does not trigger MTO, XLSmart still needs to do a share buyback for any eligible dissenting EXCL shareholders which has been set at Rp2,350/share.

Maintaining our forecasts and rating for now

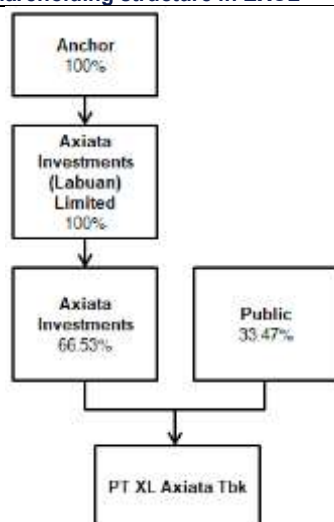
We maintain our forecast and TP for now as the merger synergy may lead to better profitability. Special dividend i.e. Rp85/share or 3.8% yield is another catalyst. Main risk is unexpected merger cancellation.

Financial Summary (Rp bn)	2022A	2023A	2024F	2025F	2026F
Revenue	29,142	32,323	34,981	37,119	39,326
EBITDA	14,235	15,885	17,714	18,965	20,176
EBITDA growth	7.1%	11.6%	11.5%	7.1%	6.4%
Net profit	1,109	1,271	1,970	2,305	2,709
EPS (Rp)	84	97	150	176	206
EPS growth	-13.9%	14.6%	55.0%	17.0%	17.5%
ROE	4.3%	4.8%	7.1%	7.9%	8.9%
PER (x)	25.9	22.6	14.6	12.5	10.6
EV/EBITDA (x)	5.2	4.7	4.2	3.9	3.7
Dividend yield	1.9%	1.9%	2.2%	3.7%	5.2%
Forecast change			N/A	N/A	N/A
IPS vs. consensus			104%	105%	112%

Source: Company, Indo Premier

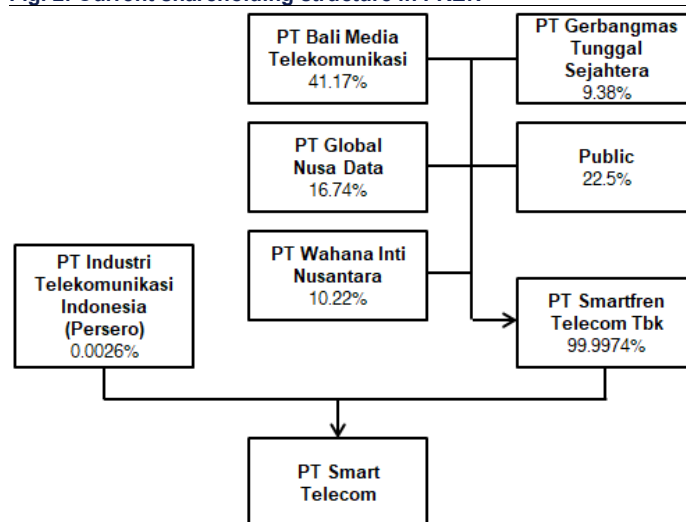
Share price closing as of: 11 December 2024

Fig. 1: Current shareholding structure in EXCL



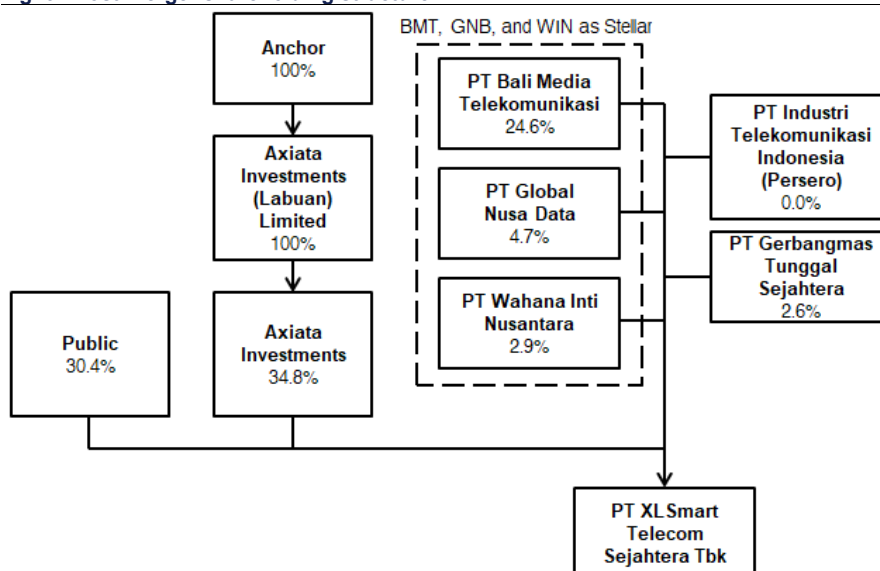
Source: Company, Indo Premier

Fig. 2: Current shareholding structure in FREN



Source: Company, Indo Premier

Fig. 3: Post-merger shareholding structure



Source: Company, Indo Premier

Fig. 4: Implied XLSmart valuation

PT XL Smart Telecom Sejahtera	
Cash consideration for 13.14% stake in XLSmart (US\$ mn)	475
Cash consideration for 13.14% stake in XLSmart (Rp tr), @USDIDR Rp15,900	7.6
Implied market cap (Rp tr)	57.5
EXCL net debt as of Sep24 (Rp tr)	44.8
FREN net debt as of Sep24 (Rp tr)	17.2
Implied EV (Rp tr)	119.5
Pro-forma EBITDA (Rp tr)	22.4
Implied EV/EBITDA (x)	5.3

Source: Company, Indo Premier

Income Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
Net revenue	29,142	32,323	34,981	37,119	39,326
Cost of sales	(25,484)	(27,944)	(29,334)	(30,986)	(32,528)
Gross profit	3,658	4,378	5,647	6,133	6,798
EBITDA	14,235	15,885	17,714	18,965	20,176
Net interest	(2,666)	(2,840)	(2,858)	(2,900)	(3,030)
Forex gain (loss)	(61)	13	(35)	(37)	(39)
Others	422	139	(210)	(223)	(236)
Pre-tax income	1,353	1,690	2,543	2,974	3,493
Income tax	(232)	(420)	(560)	(654)	(768)
Minority interest	(12)	(13)	(14)	(15)	(16)
Net income	1,109	1,257	1,970	2,305	2,709

Balance Sheet (Rp bn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	5,184	966	897	905	953
Receivable	852	1,435	1,342	1,424	1,508
Other current assets	4,372	4,773	4,848	5,002	5,159
Total current assets	10,408	7,174	7,087	7,331	7,621
Fixed assets	60,474	63,890	61,218	59,381	58,038
Goodwill	16,396	16,624	19,949	23,939	28,726
Total non-current assets	76,869	80,515	81,167	83,320	86,765
Total assets	87,278	87,688	88,255	90,651	94,385
Payable	11,491	9,570	10,448	11,036	11,585
Other payables	3,941	3,696	3,733	3,695	3,658
Current portion of LT loans	10,919	6,877	7,966	8,080	8,444
Total current liab.	26,351	20,142	22,146	22,811	23,687
Long term loans	33,041	39,041	36,287	36,808	38,465
Other LT liab.	2,112	2,000	1,975	1,965	1,955
Total liabilities	61,504	61,183	60,408	61,583	64,107
Equity	18,093	18,093	18,093	18,093	18,093
Retained earnings	7,550	8,267	9,595	10,816	12,027
Minority interest	131	144	144	144	144
Total SHE + minority int.	25,774	26,505	27,832	29,053	30,264
Total liabilities & equity	87,278	87,688	88,241	90,637	94,371

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
Net income	1,109	1,257	1,970	2,305	2,709
Depr. & amortization	12,180	11,147	11,067	10,931	10,978
Changes in working capital	599	(3,150)	932	315	271
Others	(3,503)	(327)	(3,336)	(3,985)	(4,782)
Cash flow from operating	10,386	8,928	10,634	9,566	9,175
Capital expenditure	(19,139)	(14,923)	(9,395)	(10,994)	(12,035)
Others	(1,603)	359	1,000	1,900	2,400
Cash flow from investing	(20,741)	(14,564)	(8,395)	(9,094)	(9,635)
Loans	8,311	1,958	(1,665)	634	2,022
Equity	5,058	(0)	(14)	(15)	(16)
Dividends	(544)	(549)	(628)	(1,083)	(1,498)
Others	-	-	-	-	-
Cash flow from financing	12,825	1,409	(2,308)	(464)	508
Changes in cash	2,520	(4,232)	(69)	8	48

Key Ratios	2022A	2023A	2024F	2025F	2026F
Gross margin	12.6%	13.5%	16.1%	16.5%	17.3%
EBITDA margin	48.8%	49.1%	50.6%	51.1%	51.3%
Pre-tax margin	4.6%	5.2%	7.3%	8.0%	8.9%
Net margin	3.8%	3.9%	5.6%	6.2%	6.9%
ROA	1.3%	1.4%	2.2%	2.5%	2.9%
ROE	4.3%	4.7%	7.1%	7.9%	9.0%
ROIC	6.2%	6.4%	7.9%	8.5%	9.1%
Acct. receivables TO (days)	9	13	14	14	14
Acct. payables - other TO (days)	159	138	130	130	130
Net debt/EBITDA (inc.leases) (x)	2.7	2.8	2.4	2.3	2.3
Net debt/EBITDA (ex. leases) (x)	0.5	0.6	0.2	0.1	0.0
Interest coverage (x)	1.3	1.5	2.0	2.1	2.2

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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