INDOPREMIER

XLSmart Telecom Sejahtera

BUY *(unchanged)*

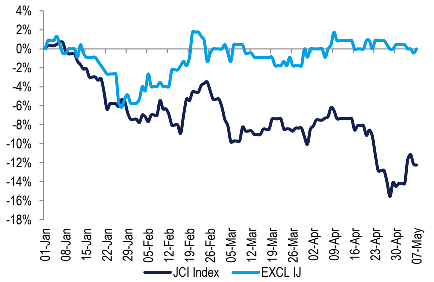
Company Update | Telecommunications | EXCL IJ | 07 May 2025

Stock Data

Target price	**Rp2,550**
Prior TP	*Rp2,820*
Current price	2.180
Upside/downside	+17.0%
Shares outstanding (mn)	18,200
Market cap (Rp bn)	39,676
Free float	65%
Avg. 6m daily T/O (Rp bn)	47

Price Performance

	3M	6M	12M
Absolute	(4.8)	(1.4)	(10.3)
Relative to JCI	(7.5)	3.0	(7.5)
52w low/high (Rp)			2,080 – 2,610



Major Shareholders

Axiata Investments Singapore Ltd.	34.7%

Expect ARPU acceleration from merger despite soft 1Q25 ARPU

- EXCL recorded revenue/EBITDA of Rp8.6tr/4.3tr (+2%/-3% yoy), in line with seasonality. However, mobile data revenue was soft (-7% yoy).
- We cut our mobile ARPU assumption to reflect XL's soft performance in 1Q25, but we expect ARPU acceleration outlook by FY26F.
- Pricing in potential merger impact, we now estimate EXCL's EBITDA could grow by 14% CAGR in FY24-27F. Retain our BUY call.

Operationally in-line results but weak mobile revenue performance

EXCL recorded revenue of Rp8.6tr (+2% yoy, -5% qoq) and EBITDA of Rp4.3tr (-3% yoy, -6% qoq) in 1Q25, in line with our/consensus estimates. EBITDA margin declined by 255bp yoy to 50.2% in 1Q25, compared to 52.8/50.8% in 1Q24/4Q24 due to higher salary expense from First Media consolidation, while depreciation expense declined due to shorter lease periods for some tower contracts. 1Q25 data revenue was at Rp7.8tr (+1% yoy) despite the addition from First Media consolidation. Mobile data revenue declined to Rp6.8tr (-7% yoy, -8% qoq) driven by ARPU decline to Rp40k (-9% yoy, -2% qoq), impacted by soft purchasing power and ongoing competition.

Expecting ARPU acceleration from merger despite soft 1Q25 ARPU

Post-results, we cut FY25-27F ARPU estimates for XL by 2–10%, aligning with 1Q25 performance and anticipating continued competition and soft purchasing power. Meanwhile, our blended XL Smart FY25-27F ARPU estimates stand at Rp32-37k, incorporating FREN's ARPU of Rp24-27k. Despite lower XL's FY25F ARPU, we anticipate blended ARPU to accelerate by 6-8% p.a. in FY26–27F, potentially supported by expectation of improved network quality and coverage expansion following the recent merger.

Pricing in potential merger impact – retain BUY call

We have revised our model to reflect the potential impact of the recent merger, which was completed on 16th Apr 2025, while also adjusting XL's figures post 1Q25 results. Overall, we revise our FY25–27F EBITDA estimates by 6-23%. Our assumptions incorporate US$100–300mn in pre-tax cost savings per year over FY25–27F. We assume capex of Rp15.6–19.6tr in FY25–27F, higher than normal, in anticipation of network integration. EXCL's EBITDA CAGR is projected at 14% over FY24–27F. We retain our BUY call with a lower TP of Rp2,550, based on 5x EV/EBITDA. Successful network integration and cost efficiencies are the catalysts.

Financial Summary (Rp bn)	2023A	2024A	2025F	2026F	2027F
Revenue	32,323	34,392	41,183	47,917	51,212
EBITDA	15,885	17,880	20,273	23,701	26,284
EBITDA growth	11.6%	12.6%	13.4%	16.9%	10.9%
Core net profit	916	1,508	823	827	2,565
Core EPS	70	115	63	63	195
Core EPS growth	-17.4%	64.6%	-45.7%	0.5%	210.2%
ROE	4.7%	6.9%	2.2%	2.3%	6.7%
PER (x)	31.1	18.9	34.8	34.6	11.2
Adjusted EV/EBITDA (x)	4.2	3.8	4.7	4.5	3.6
Dividend yield	1.9%	2.1%	3.8%	3.5%	4.4%

Source: Company, Indo Premier *Share price closing as of: 07 May 2025*

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Fig. 1: 1Q25 results review

EXCL 1Q25 results (in Rp bn)	1Q25	1Q24	% YoY	4Q24	% QoQ	% of IPS	% of Cons
Revenue	**8,601**	**8,438**	**2%**	**9,030**	**-5%**	**22%**	**23%**
Operating expenses	(7,251)	(7,048)	3%	(7,500)	-3%		
Operating profit	**1,350**	**1,390**	**-3%**	**1,531**	**-12%**		
EBITDA	**4,321**	**4,454**	**-3%**	**4,583**	**-6%**	**23%**	**23%**
Other income/(expense)	(827)	(713)	16%	(857)	-4%		
Pre-tax profit	**523**	**677**	**-23%**	**673**	**-22%**		
Taxes	(135)	(130)	4%	(161)	-16%		
Net profit	**385**	**539**	**-29%**	**502**	**-23%**	**20%**	**17%**
Core net profit	**361**	**466**	**-23%**	**445**	**-19%**		
Margin (%)							
EBITDA margin	50.2%	52.8%	(255)	50.8%	(52)		
Net margin	4.5%	6.4%	(192)	5.6%	(109)		
Core net margin	4.2%	5.5%	(133)	4.9%	(74)		
Operational data - mobile							
Data traffic (PB)	2,848	2,609	9%	2,724	5%		
Data yield (Rp/MB)	2.8	3.0	-8%	3.0	-8%		
Blended ARPU (Rp k/month) - implied	40	44	-9%	41.0	-2%		
Mobile subs (mn people) - implied	58.8	57.6	2%	59.0	0%		

Source: Company, Indo Premier

Fig. 2: Lowering our TP for XLSmart to Rp2,550/sh from Rp 2,820/sh

Adjusted EV/EBITDA valuation	12M fwd
Debt (Rp bn)	25,462
Market cap (Rp bn)	33,363
Cash (Rp bn)	2,351
Minority interest (Rp bn)	(29)
Adj. EBITDA (Rp bn)	11,289
Implied EV (Rp bn)	56,446
EV/EBITDA (x)	5.00
TP/sh (Rp)	2,541
Current px (Rp)	2,180
Potential upside/downside	17%

Source: Company, Indo Premier

Fig. 3: P/L – forecast changes

In Rp bn, unless otherwise stated	Previous (XL only)			Current (XL Smart)			Change, %		
	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Profit & Loss									
Revenue	39,098	40,279	41,395	41,183	47,917	51,212	5%	19%	24%
Operating expense	(33,064)	(34,206)	(34,987)	(35,583)	(42,310)	(44,120)	8%	24%	26%
EBIT	6,033	6,073	6,408	5,600	5,607	7,092	-7%	-8%	11%
EBITDA	19,094	19,278	19,895	20,273	23,701	26,284	6%	23%	32%
Other income/(expense)	(3,514)	(3,264)	(3,202)	(2,943)	(2,240)	(1,939)	-16%	-31%	-39%
Pre-tax profit	2,519	2,809	3,207	2,657	3,367	5,153	5%	20%	61%
Taxes	(605)	(674)	(770)	(645)	(819)	(1,246)	7%	22%	62%
Net profit	1,882	2,101	2,403	823	827	2,565	-56%	-61%	7%
Core profit	1,882	2,101	2,403	823	827	2,565	-56%	-61%	7%
EPS	144	161	184	63	63	195	-56%	-61%	6%
Core EPS (Rp)	144	161	184	63	63	195	-56%	-61%	6%
Annual growth, %									
Revenue	14%	3%	3%	20%	16%	7%			
Operating expense	15%	3%	2%	24%	19%	4%			
EBIT	8%	1%	6%	0%	0%	26%			
EBITDA	7%	1%	3%	13%	17%	11%			
Other income/(expense)	11%	-7%	-2%	-7%	-24%	-13%			
Pre-tax profit	4%	12%	14%	9%	27%	53%			
Taxes	4%	12%	14%	11%	27%	52%			
Net profit	3%	12%	14%	-55%	0%	210%			
Core profit	25%	12%	14%	-45%	0%	210%			
EPS	3%	12%	14%	-55%	0%	210%			
Core EPS (Rp)	25%	12%	14%	-46%	0%	210%			
Profitability, %									
EBIT margin	15%	15%	15%	14%	12%	14%			
EBITDA margin	49%	48%	48%	49%	49%	51%			
Net profit margin	5%	5%	6%	2%	2%	5%			
Core net profit margin	5%	5%	6%	2%	2%	5%			

Source: Company, Indo Premier

Fig. 4: Operational – forecast changes

Operational data	Previous (XL only)			Current (XL Smart)			Change, %		
	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Mobile									
Blended ARPU (Rp k/month)	44.4	45.6	46.8	32.1	33.9	36.6	-28%	-26%	-22%
XL	44.4	45.6	46.8	40.1	42.7	45.9	-10%	-6%	-2%
Smartfren	-	-	-	24.0	25.2	27.3	-	-	-
Mobile subs (mn people)	58.8	58.8	58.8	93.8	93.8	93.8	59%	59%	59%
XL	58.8	58.8	58.8	58.8	58.8	58.8	0%	0%	0%
Smartfren	-	-	-	35.0	35.0	35.0			
FBB									
FBB ARPU (Rp k/month)	748.1	785.5	824.8	748.1	785.5	824.8	0%	0%	0%
FBB subs (k)	300,000.0	300,000.0	300,000.0	335,522.5	335,522.5	335,522.5	12%	12%	12%
Annual growth, %									
Blended ARPU (Rp k/month)	3%	3%	3%	-25%	6%	8%			
Mobile subs (mn people)	0%	0%	0%	59%	0%	0%			
FBB ARPU (Rp k/month)	5%	5%	5%	5%	5%	5%			
FBB subs (k)	0%	0%	0%	12%	0%	0%			

Source: Company, Indo Premier

Fig. 5: Telco sector valuation comparisons – based on 07 May 2025 closing price

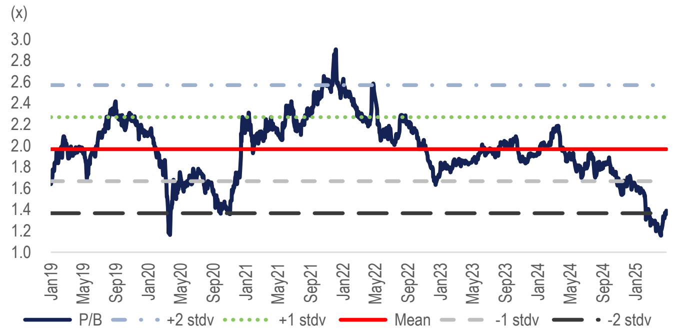
Company	Bloomberg Ticker	Market Cap (US$mn)	Last Price (local curr.)	Target Price	P/E (x)			P/B (x)			Adjusted EV/EBITDA (x)			EV/EBITDA (x)			Price to Cash Flow (x)			Net Gearing (x)			ROE (%)			Net Profit CAGR (%)
					2025F	2026F	2027F	2025F	2026F	2027F	2025F	2026F	2027F	2025F	2026F	2027F	2025F	2026F	2027F	2025F	2026F	2027F	2025F	2026F	2027F	2024-27F
Indonesia																										
Telkom Indonesia	TLKM IJ Equity	16,174	2,620	2,600	12.1	11.9	11.5	1.6	1.5	1.5	4.4	4.2	4.1	4.4	4.2	4.1	4.5	4.4	4.3	0.1	0.1	0.0	14.0	13.7	14.1	3.5
Indosat Ooredo Hutchison	ISAT IJ Equity	3,831	1,950	2,155	10.8	9.3	8.4	1.6	1.4	1.3	4.1	3.8	3.5	4.2	3.9	3.7	4.2	3.8	3.6	0.3	0.3	0.2	14.9	15.8	16.2	16.9
XLSmart Telecom Sejahtera	EXCL IJ Equity	2,417	2,180	2,550	34.8	34.6	11.2	0.8	0.8	0.8	4.7	4.5	3.6	4.8	4.3	3.9	1.9	1.5	1.3	0.6	0.6	0.5	2.2	2.3	6.7	16.8
Total		**22,423**																								
Simple average					**19.2**	**18.6**	**10.3**	**1.3**	**1.2**	**1.2**	**4.4**	**4.2**	**3.7**	**4.5**	**4.2**	**3.9**	**3.5**	**3.3**	**3.1**	**0.3**	**0.3**	**0.2**	**10.4**	**10.6**	**12.3**	**12.4**
Median					**12.1**	**11.9**	**11.2**	**1.6**	**1.4**	**1.3**	**4.4**	**4.2**	**3.6**	**4.4**	**4.2**	**3.9**	**4.2**	**3.8**	**3.6**	**0.3**	**0.3**	**0.2**	**14.0**	**13.7**	**14.1**	**16.8**
Malaysia																										
Telekom Malaysia	T MK Equity	6,275	7		15.4	14.4	14.0	2.5	2.3	2.1				6.0	5.8	5.8	6.0	5.8	5.7	0.1	(0.0)	0.0	16.1	16.0	15.7	(2.3)
Axiata Group	AXIATA MK Equity	4,434	2		21.5	18.3	16.0	0.9	0.9	0.9				5.2	5.1	5.0	2.2	2.1	2.0	1.0	1.0	0.9	3.8	4.5	4.8	7.7
Celcomdigi Berhad	CDB MK Equity	10,521	4		23.6	21.6	20.1	2.8	2.8	2.8				9.6	9.3	9.2	9.3	9.0	8.4	0.8	0.7	0.7	11.5	12.5	12.9	15.9
Maxis Berhad	MAXIS MK Equity	6,821	4		19.6	18.5	17.9	4.9	4.7	4.6				9.1	8.9	8.9	8.8	8.6	8.3	1.3	1.2	1.0	24.7	25.5	25.1	4.9
Total		**28,051**																								
Simple average								**2.9**	**2.8**	2.8				**8.0**	**7.8**	**7.7**	**7.3**	**7.1**	**6.8**	**0.8**	**0.7**	**0.6**	**14.5**	**15.1**	**15.2**	
Median								**2.6**	**2.5**	2.4				**7.5**	**7.4**	**7.3**	**7.4**	**7.2**	**7.0**	**0.9**	**0.9**	**0.8**	**13.8**	**14.3**	**14.3**	
India																										
Bharti Airtel	BHARTI IN Equity	135,126	1,901		48.9	37.4	27.4	9.9	8.2	6.8				14.4	11.9	10.4	15.7	13.3	11.7	1.7	1.0	0.6	24.3	24.0	27.7	74.8
Vodafone Idea	IDEA IN Equity	8,834	7		n.a	n.a	n.a	n.a	n.a	n.a				17.1	14.8	12.1	12.3	49.3	15.1	(2.0)	(1.7)	(1.8)	26.2	20.5	17.8	(11.2)
Reliance Jio	RELIANCE IN Equi	227,886	1,421		23.7	20.7	17.9	2.0	1.9	1.8				12.0	10.7	10.1	14.0	12.7	11.1	0.2	0.2	0.0	8.9	9.5	10.5	15.0
Total		**371,846**																								
Simple average								**4.8**	**4.1**	**3.5**				**13.0**	**11.3**	**10.2**	**14.6**	**13.8**	**11.4**	**0.7**	**0.4**	**0.2**	**14.8**	**14.9**	**16.8**	
Median								**6.0**	**5.1**	**4.3**				**14.4**	**11.9**	**10.4**	**14.0**	**13.3**	**11.7**	**0.2**	**0.2**	**0.0**	**24.3**	**20.5**	**17.8**	
Thailand																										
Advanced Info Service	ADVANC TB Equity	27,063	297		22.4	20.7	19.3	8.6	8.3	8.0				9.2	8.9	8.7	8.4	8.1	8.0	1.5	1.1	1.2	39.2	40.1	40.9	8.9
True Corp.	TRUE TB Equity	13,126	12		21.9	18.3	12.5	4.4	4.1	3.8				7.4	7.3	6.9	4.8	4.7	n.a	3.8	3.2	2.2	20.4	21.3	23.8	32.0
Total		**40,190**																								
Simple average								**7.2**	**6.9**	**6.6**				**8.6**	**8.4**	**8.1**	**7.2**	**7.0**	**5.4**	**2.2**	**1.8**	1.5	**33.1**	**33.9**	**35.3**	
Median								**6.5**	**6.2**	**5.9**				**8.3**	**8.1**	**7.8**	**6.6**	**6.4**	**8.0**	**2.7**	**2.2**	**1.7**	**29.8**	**30.7**	**32.3**	

Source: Company, Indo Premier

Fig. 6: Sector's forward PE band

Source: Company, Indo Premier

Fig. 7: Sector's forward PB band

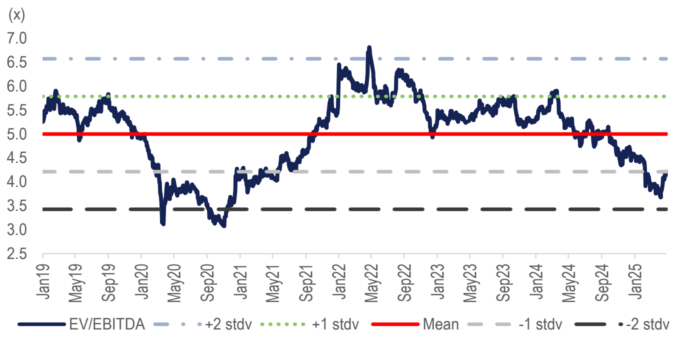


Source: Company, Indo Premier

Fig. 8: Sector's forward EV/EBITDA band

Source: Company, Indo Premier

Fig. 9: Sector's forward adjusted EV/EBITDA band



Source: Company, Indo Premier

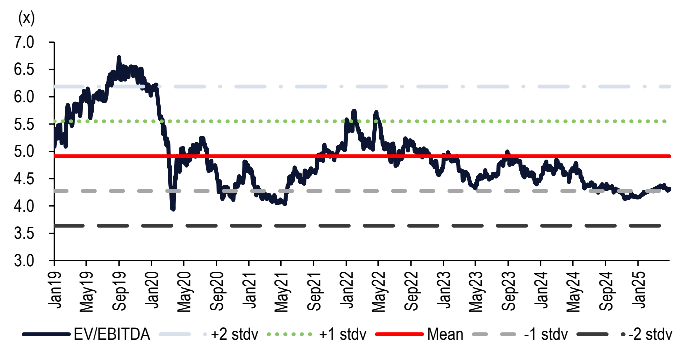
Fig. 10: EXCL's forward PE band

Source: Company, Indo Premier

Fig. 11: EXCL's forward PB band

Source: Company, Indo Premier

Fig. 12: EXCL's forward EV/EBITDA band



Source: Company, Indo Premier

Fig. 13: EXCL's forward adjusted EV/EBITDA band

Source: Company, Indo Premier

Income Statement (Rp bn)	2023A	2024A	2025F	2026F	2027F
Net revenue	32,323	34,392	41,183	47,917	51,212
Opex	(27,944)	(28,803)	(35,583)	(42,310)	(44,120)
Operating profit	**4,378**	**5,589**	**5,600**	**5,607**	**7,092**
EBITDA	**15,885**	**17,880**	**20,273**	**23,701**	**26,284**
Net interest	(2,840)	(3,033)	(4,103)	(3,930)	(3,250)
Forex gain (loss)	13	(16)	-	-	-
Others	139	(112)	-	-	-
Pre-tax income	**1,690**	**2,427**	**1,497**	**1,677**	**3,843**
Income tax	(420)	(580)	(645)	(819)	(1,246)
Minority interest	(13)	(29)	(29)	(30)	(32)
Net income	**1,257**	**1,819**	**823**	**827**	**2,565**
Core net profit	**916**	**1,508**	**823**	**827**	**2,565**

Balance Sheet (Rp bn)	2023A	2024A	2025F	2026F	2027F
Cash & equivalents	966	1,387	1,775	2,927	5,814
Receivables	1,386	1,863	2,049	2,173	2,320
Other current assets	4,822	5,187	8,914	8,937	8,952
Total current assets	**7,174**	**8,436**	**12,737**	**14,037**	**17,086**
Fixed assets	63,897	61,034	100,806	105,873	106,267
Other non-current assets	16,624	16,708	11,924	12,172	12,348
Total non-current assets	**80,521**	**77,743**	**112,730**	**118,045**	**118,615**
Total assets	**87,695**	**86,179**	**125,468**	**132,082**	**135,702**
Payables	9,383	8,251	8,985	9,354	9,745
Other current liab.	3,914	3,675	5,585	6,116	6,722
Lease liabilities	6,023	5,369	8,252	8,252	8,252
Current portion of LT loans	854	3,721	3,572	3,668	3,425
Total current liab.	**20,173**	**21,017**	**26,393**	**27,389**	**28,143**
Lease liabilities	29,791	28,226	38,428	41,670	44,780
Long term loans	9,251	8,772	20,570	23,115	21,571
Other LT liab.	2,010	1,942	3,164	3,164	3,164
Total liabilities	**61,225**	**59,956**	**88,556**	**95,339**	**97,658**
Equity	18,058	16,593	28,511	28,511	28,511
Retained earnings	8,267	9,467	8,238	8,070	9,370
Minority interest	144	162	162	162	162
Total SHE + minority int.	**26,470**	**26,222**	**36,911**	**36,743**	**38,043**
Total liabilities & equity	**87,695**	**86,179**	**125,467**	**132,081**	**135,702**

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2023A	2024A	2025F	2026F	2027F
Net income	1,257	1,819	823	827	2,565
Depr. & amortization	9,675	11,590	16,484	18,094	19,191
Changes in working capital	1,200	6,643	(2,625)	(397)	(197)
Others	-	-	-	-	-
Cash flow from operating	**12,131**	**20,052**	**14,681**	**18,524**	**21,559**
Capex (i.e. FA and RoU)	(13,555)	(9,259)	(21,487)	(23,409)	(19,762)
Others	3,179	(2,107)	-	-	-

Cash Flow Statement (Rp bn)	2023A	2024A	2025F	2026F	2027F
Cash flow from investing	**(10,376)**	**(11,366)**	**(20,978)**	**(22,878)**	**(19,156)**
Loans	(2,005)	2,389	4,728	2,640	(1,786)
Lease	3,964	(2,219)	2,902	3,861	3,535
Equity	(21)	(1,447)	-	-	-
Dividends	(549)	(635)	(1,101)	(995)	(1,264)
Others	(7,359)	(6,361)			
Cash flow from financing	**(5,971)**	**(8,273)**	**6,529**	**5,506**	**484**
Changes in cash	**(4,216)**	**414**	**233**	**1,152**	**2,887**

Key Ratios	2023A	2024A	2025F	2026F	2027F
Gross margin	14%	16%	14%	12%	14%
EBITDA margin	49%	52%	49%	49%	51%
Pre-tax margin	5%	7%	4%	3%	8%
Net margin	4%	5%	2%	2%	5%
Core net margin	3%	4%	2%	2%	5%
ROA	1%	2%	1%	1%	2%
ROE	5%	7%	2%	2%	7%

Source: Company, Indo Premier

SECTOR RATINGS

OVERWEIGHT	:	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation
NEUTRAL	:	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation
UNDERWEIGHT	:	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation

COMPANY 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

The views expressed in this research report accurately reflect the analyst’s personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

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