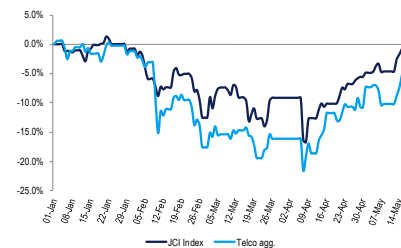


Sector Update | 19 May 2025

## Sector Index Performance

	3M	6M	12M
Absolute	11.0%	0.0%	-14.4%
Relative to JCI	4.0%	0.8%	-12.4%



## Summary Valuation Metrics

Adjusted			
EV/EBITDA	2024F	2025F	2026F
(x)			
ISAT IJ	4.3	3.9	3.6
TLKM IJ	4.6	4.4	4.2
EXCL IJ	4.7	4.5	3.6
P/E (x)	2024F	2025F	2026F
ISAT IJ	11.2	9.6	8.7
TLKM IJ	12.6	12.4	12.0
EXCL IJ	34.8	34.6	11.2
P/B (x)	2024F	2025F	2026F
ISAT IJ	1.6	1.5	1.4
TLKM IJ	1.6	1.6	1.5
EXCL IJ	0.8	0.8	0.8

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## 1Q25 recap: soft overall results due to a weak mobile ARPU

- Sector's aggregate revenue/EBITDA declined by -1%/-5% yoy in 1Q25 due to soft ARPU. ISAT was the only one that had ARPU improvement.
- ARPU improvement could be realized by 2H25F, but sustainability remains uncertain, pending XL Smart strategy.
- We retain our Neutral call with unchanged top pick, ISAT.

## Soft 1Q25 results due to weak mobile ARPU trend

In 1Q25, the aggregate revenue/EBITDA of telco operators under our coverage reached Rp58.8tr/28.9tr, down -1%/-5% yoy. This was primarily driven by weak ARPU trends. TSEL/EXCL saw ARPU declines of -4%/-2% qoq and -6%/-9% yoy, respectively, in 1Q25. On the other hand, ISAT's ARPU improved by +1% qoq /+5% yoy. Our discussion with ISAT suggests that this ARPU improvement was mainly driven by its hyper-personalization strategy (new AI-based data modeling), which has been effectively rolled out only over the past few months. In 1Q25, the big three operators recorded a combined mobile subscriber base of 313k (+1% qoq/-2% yoy). ISAT's subscribers increased by +5% qoq/-5% yoy; TSEL's subscribers declined -1% qoq/-1% yoy; and EXCL's subscribers remained flat at 0% qoq/+2% yoy.

## Anticipating mobile ARPU improvement could be seen by 2H25F

Following the results, we conclude that most companies under our coverage expect mobile ARPU improvement by 2H25F, including: 1) **ISAT**, which anticipates a price increase by Jun25, with further ARPU uplift supported by AI-based personalization and an expected improvement in government spending, potentially boosting purchasing power; 2) **TSEL**, which expects to benefit from higher starter pack entry prices and the impact of its tariff simplification by that time; 3) **EXCL**, which has yet to provide formal guidance on XL Smart's post-merger strategy and targets, but also plans to implement tariff simplification.

## Cutting our EBITDA estimates by -2% to +1% in FY25-27F

Post-1Q25 results, we adjust the sector's aggregate EBITDA estimates by -2% to +1% in FY25-27F, primarily due to lower mobile ARPU for TSEL ([note](#)) and lower B2B business for ISAT ([note](#)). On the other hand, we incorporated XL Smart merger impact while lowering our XL ARPU estimates, resulting for EBITDA upgrades for EXCL by 6-32% in FY25-27F ([note](#)).

## Retain our Neutral rating with ISAT as our top pick

We retain our Neutral rating for the sector. We understand that players under our coverage are targeting ARPU improvement by 2H25F; however, the realization and sustainability of this goal remain uncertain. We believe this could be challenged if XL Smart continues its aggressive promotions with larger quotas (see our survey [note](#)), which we view as part of its post-merger strategy and expansion into ex-Java areas. Additionally, continued soft purchasing power may also hinder sustained ARPU improvement. We maintain ISAT as our top pick, primarily due to its position as having the lowest data yield among peers, which we believe offers stronger potential for ARPU growth. The materialization of B2B segment expansion into higher-margin businesses and increased revenue from GPU-related services could pose potential upside risks to earnings. EXCL has significant potential for merger synergies.

Fig. 1: Telco 1Q25 revenue recap

Ticker	1Q25	1Q24	% YoY	4Q24	% QoQ	IPS FY25F	% of IPS	Cons FY25F	% of cons
ISAT	13,578	13,835	-2%	14,075	-4%	57,810	23%	58,741	23%
TLKM	36,639	37,429	-2%	37,748	-3%	146,401	25%	155,947	23%
EXCL	8,601	8,438	2%	9,030	-5%	41,183	21%	38,134	23%
<b>Total</b>	<b>58,818</b>	<b>59,703</b>	<b>-1%</b>	<b>60,853</b>	<b>-3%</b>	<b>245,394</b>		<b>252,822</b>	

Source: Company, Indo Premier

Fig. 2: Telco 1Q25 EBITDA recap

Ticker	1Q25	1Q24	% YoY	4Q24	% QoQ	IPS FY25F	% of IPS	Cons FY25F	% of cons
ISAT	6,415	6,509	-1%	6,375	1%	27,884	23%	28,190	23%
TLKM	18,232	19,421	-6%	18,402	-1%	74,585	24%	80,981	23%
EXCL	4,321	4,454	-3%	4,583	-6%	20,273	21%	18,902	23%
<b>Total</b>	<b>28,968</b>	<b>30,385</b>	<b>-5%</b>	<b>29,360</b>	<b>-1%</b>	<b>122,741</b>		<b>128,073</b>	

Source: Company, Indo Premier

Fig. 3: Telco 1Q25 core net profit recap

Ticker	1Q25	1Q24	% YoY	4Q24	% QoQ	IPS FY25F	% of IPS	Cons FY25F	% of cons
ISAT	1,312	1,292	2%	977	34%	5,801	23%	5,604	23%
TLKM	5,508	6,307	-13%	5,331	3%	21,507	26%	25,183	22%
EXCL	361	466	-23%	445	-19%	823	44%	2,210	16%
<b>Total</b>	<b>7,181</b>	<b>8,066</b>	<b>-11%</b>	<b>6,753</b>	<b>6%</b>	<b>28,131</b>		<b>32,997</b>	

Source: Company, Indo Premier

Fig. 4: Telco 1Q25 aggregate EBITDA margin

Ticker	1Q25	1Q24	YoY (bps)	4Q24	QoQ (bps)
ISAT	47%	47%	19.8	45%	195.6
TLKM	50%	52%	(212.6)	49%	101.2
EXCL	50%	53%	(254.9)	51%	(51.7)
<b>Total</b>	<b>49%</b>	<b>51%</b>	<b>(149.3)</b>	<b>48%</b>	<b>81.7</b>

Source: Company, Indo Premier

Fig. 5: Telco 1Q25 aggregate core net profit margin

Ticker	1Q25	1Q24	YoY (bps)	4Q24	QoQ (bps)
ISAT	10%	9%	32.8	7%	272.1
TLKM	15%	17%	(181.8)	14%	91.2
EXCL	4%	6%	(133.2)	5%	(73.6)
<b>Total</b>	<b>10%</b>	<b>11%</b>	<b>(94.0)</b>	<b>9%</b>	<b>96.6</b>

Source: Company, Indo Premier

Fig. 6: Telco 1Q25 subscriber recap

Ticker	1Q25	1Q24	% YoY	4Q24	% QoQ
ISAT	95	101	-5%	91	5%
TLKM	159	160	-1%	160	-1%
EXCL	59	58	2%	59	0%
Total	313	318	-2%	310	1%

Source: Company, Indo Premier

Fig. 7: Telco 1Q25 ARPU recap

Ticker	1Q25	1Q24	% YoY	4Q24	% QoQ
ISAT	39	38	5%	39	1%
TLKM	42	45	-6%	44	-4%
EXCL	40	44	-9%	41	-2%

Source: Company, Indo Premier

Fig. 8: Telco sector valuation comparisons – based on 16 May 2025 closing price

Company	Bloomberg	Market Cap	Last Price	Target	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 (%)	
	Ticker	(US\$m)	(local curr.)	Price	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	16,500	2,740	2,600	12.6	12.4	12.0	1.6	1.6	1.5	4.6	4.4	4.2	4.5	4.4	4.2	4.7	4.7	4.5	0.1	0.1	0.0	13.1	13.0	13.0	(1.2)	
Indosat Ooredoo Hutchison	ISAT IJ Equity	3,960	2,020	2,155	11.2	9.6	8.7	1.6	1.5	1.4	4.3	3.9	3.6	4.2	4.0	3.8	4.3	4.0	3.7	0.3	0.3	0.2	14.5	15.5	16.0	15.5	
XLSmart Telecom Sejahtera	EXCL IJ Equity	2,412	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	19.4	
Total		22,873																									
Simple average					19.5	18.9	10.6	1.3	1.3	1.2	4.5	4.3	3.8	4.5	4.2	3.9	3.6	3.4	3.2	0.3	0.3	0.2	9.9	10.3	11.9	11.2	
Median					12.6	12.4	11.2	1.6	1.5	1.4	4.6	4.4	3.6	4.5	4.3	3.9	4.3	4.0	3.7	0.3	0.3	0.2	13.1	13.0	13.0	15.5	
Malaysia																											
Telekom Malaysia	T MK Equity	6,158	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	15.8	(2.3)	
Axiata Group	AXIATA MK Equity	4,728	2		22.3	18.6	15.3	0.9	0.9	1.0				5.3	5.3	5.3	2.3	2.2	2.1	0.9	0.9	0.7	3.8	4.4	5.0	8.0	
Celcomdigi Berhad	CDB MK Equity	10,846	4		24.5	22.4	20.6	2.9	2.9	2.8				9.9	9.6	9.4	9.6	9.2	8.6	0.8	0.7	0.7	11.4	12.5	13.0	15.9	
Maxis Berhad	MAXIS MK Equity	6,859	4		19.8	18.7	18.1	4.9	4.8	4.7				9.1	9.0	8.9	9.0	8.7	8.4	1.3	1.2	1.0	24.7	25.5	25.1	5.1	
Total		28,591																									
Simple average								2.8	2.7	2.7				7.6	7.4	7.4	6.7	6.5	6.2	0.8	0.7	0.6	14.0	14.6	14.7		
Median								2.7	2.6	2.5				7.5	7.4	7.4	7.5	7.3	7.1	0.8	0.8	0.7	13.8	14.2	14.4		
India																											
Bharti Airtel	BHARTI IN Equity	127,195	1,814		36.3	26.3	21.2	7.9	6.6	5.8				11.4	9.9	8.8	13.0	11.4	10.0	1.1	0.7	0.4	23.1	27.5	28.4	87.7	
Vodafone Idea	IDEA IN Equity	9,324	7		n.a	n.a	n.a	n.a	n.a	n.a				17.3	15.0	12.2	12.8	51.5	15.7	(2.0)	(2.0)	(1.8)	26.2	23.5	17.8	(11.2)	
Reliance Jio	RELIANCE IN Equity	230,148	1,454		24.4	21.4	18.5	2.1	2.0	1.8				12.3	10.9	10.2	13.3	12.2	11.4	0.2	0.2	0.0	8.9	9.3	10.4	15.6	
Total		366,667																									
Simple average								5.0	4.3	3.8				13.6	11.9	10.4	13.1	25.0	12.4	(0.2)	(0.4)	(0.5)	19.4	20.1	18.9		
Median								5.0	4.3	3.8				12.3	10.9	10.2	13.0	12.2	11.4	0.2	0.2	0.0	23.1	23.5	17.8		
Thailand																											
Advanced Info Service	ADVANC TB Equity	25,854	289		21.3	19.7	18.4	8.3	7.9	7.4				8.8	8.5	8.3	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	12,887	12		21.2	17.6	12.6	4.1	3.7	3.8				7.5	7.4	7.0	4.8	4.7	n.a	3.8	3.2	2.2	20.4	21.3	23.8	32.0	
Total		38,741																									
Simple average								6.2	5.8	5.6				8.1	7.9	7.6	6.6	6.4	8.0	2.7	2.2	1.7	29.8	30.7	32.3		
Median								6.2	5.8	5.6				8.1	7.9	7.6	6.6	6.4	8.0	2.7	2.2	1.7	29.8	30.7	32.3		

Source: Company, Indo Premier

**Fig. 9: Sector's forward PE band**



Source: Company, Indo Premier

**Fig. 10: Sector's forward PB band**



Source: Company, Indo Premier

**Fig. 11: Sector's forward EV/EBITDA band**



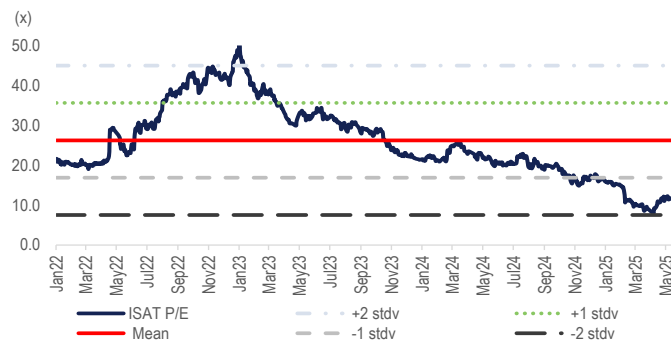
Source: Company, Indo Premier

**Fig. 12: Sector's forward adjusted EV/EBITDA band**



Source: Company, Indo Premier

**Fig. 13: ISAT's forward PE band**



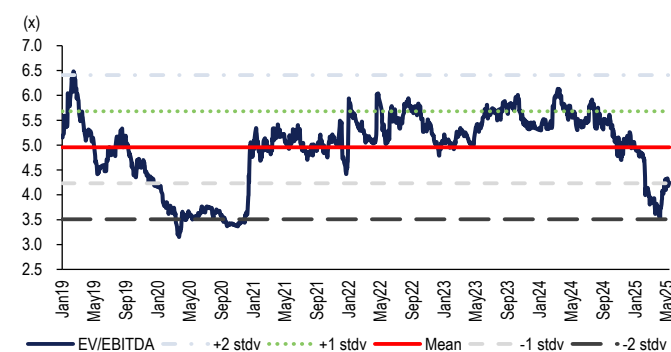
Source: Company, Indo Premier

**Fig. 14: ISAT's forward PB band**



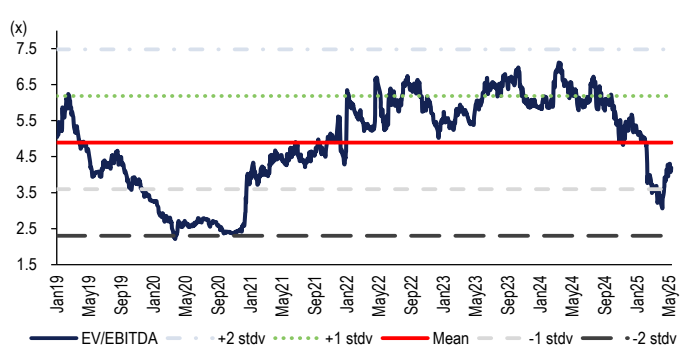
Source: Company, Indo Premier

**Fig. 15: ISAT's forward EV/EBITDA band**



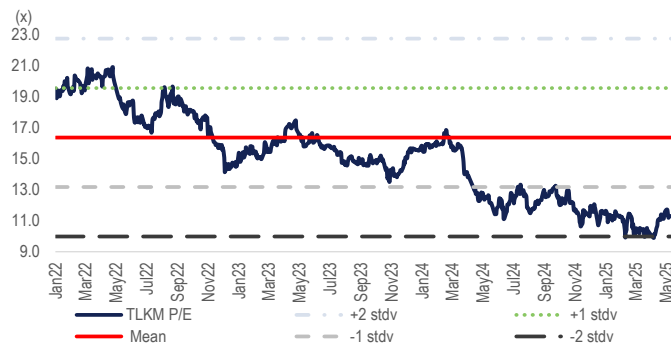
Source: Company, Indo Premier

**Fig. 16: ISAT's forward adjusted EV/EBITDA band**



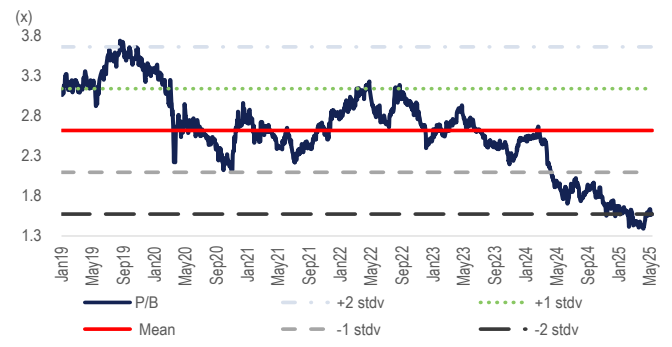
Source: Company, Indo Premier

**Fig. 17: TLKM's forward PE band**



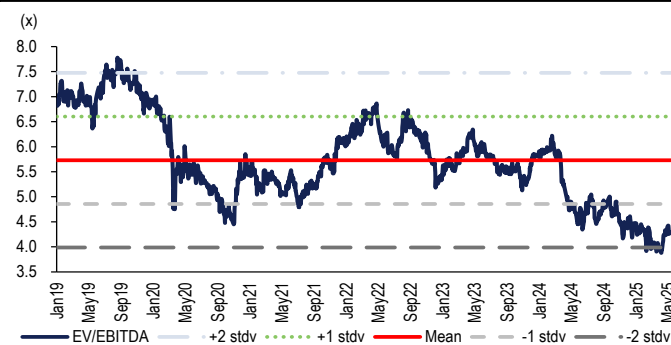
Source: Company, Indo Premier

**Fig. 18: TLKM's forward PB band**



Source: Company, Indo Premier

**Fig. 19: TLKM's forward EV/EBITDA band**



Source: Company, Indo Premier

**Fig. 20: TLKM's forward adjusted EV/EBITDA band**



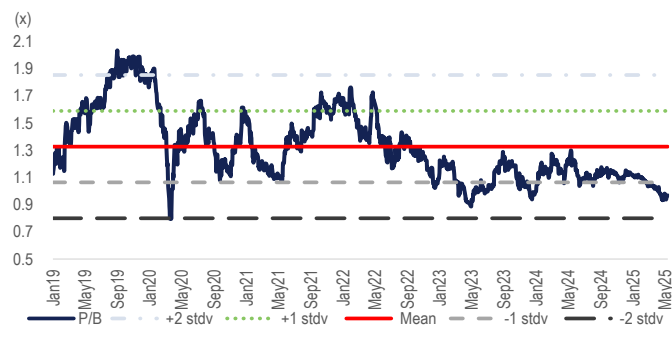
Source: Company, Indo Premier

**Fig. 21: EXCL's forward PE band**



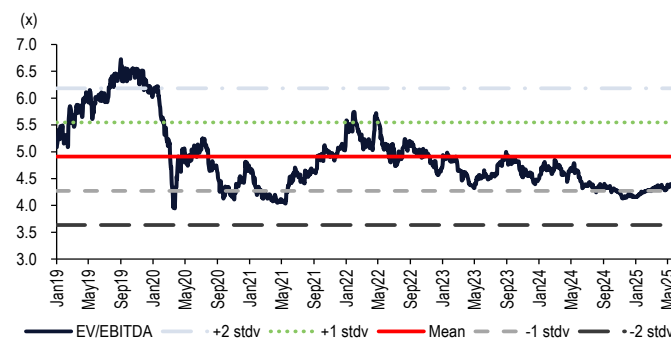
Source: Company, Indo Premier

**Fig. 22: EXCL's forward PB band**



Source: Company, Indo Premier

**Fig. 23: EXCL's forward EV/EBITDA band**



Source: Company, Indo Premier

**Fig. 24: EXCL's forward adjusted EV/EBITDA band**



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

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