

Indosat Ooredoo Hutchison

BUY (unchanged)

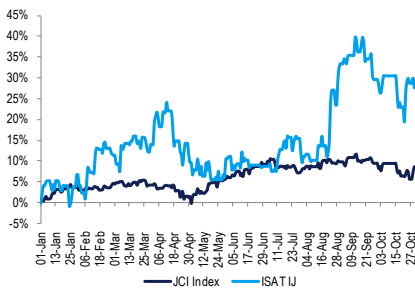
Company Update | Telecommunications | ISAT IJ | 30 October 2024

Stock Data

Target price	Rp3,500
Prior TP	NA
Current price	2,320
Upside/downside	51%
Shares outstanding (mn)	32,251
Market cap (Rp bn)	74,822
Free float	16%
Avg. 6m daily T/O (Rp bn)	56

Price Performance

	3M	6M	12M
Absolute	14.3%	14.6%	49.7%
Relative to JCI	13.2%	7.2%	44.3%
52w low/high (Rp)	7,350 – 12,050		



Major Shareholders

Ooredoo Asia	65.6%
Perusahaan Pengelola Aset	9.6%
Tiga Telekomunikasi Indonesia	8.3%

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3Q24 results: in-line EBITDA; ARPU declined due to weak seasonality

- 9M24 EBITDA of Rp20.0tr (+28% yoy) met ours/consensus estimates at 73/74% of FY24F vs. 3Y average of 73%.
- Revenue reached Rp41.8tr (+12% yoy) in 9M24, also in-line.
- ARPU declined qoq to Rp37.2k due to seasonal factors, but price increase may lift ARPU in 4Q24. Reiterate Buy.

9M24 in-line EBITDA and profit supported by solid topline growth

ISAT posted a 9M24 net profit of Rp3.9tr (+39% yoy), in-line with ours/consensus estimates at 76/75%. Revenue rose to Rp41.8tr (+12% yoy), meeting ours/consensus estimates at 73/75%. Meanwhile, EBITDA rose to Rp20tr (+28% yoy) in 9M24, also in-line at 73/74% of ours/consensus on better cost efficiencies and solid topline growth. EBITDA margin grew to 47.8% (+121 bps yoy) as cash cost was only up by +9% yoy (vs. revenue growth of +12% yoy); this was supported by benign O&M and personnel expenses rising +7/8% yoy, but weighed down by higher marketing cost (+40% yoy) as ISAT introduced a new incentive program for its distributors.

Revenue growth slowed on a qoq basis due to seasonality

3Q24 net profit came at Rp1.1tr (+30% yoy/-21% qoq), as slowdown on a qoq basis due to seasonality. Its revenue reached Rp13.8tr (+8% yoy/-2% qoq) in 3Q24, as cellular revenue rose +8% yoy/flat qoq and MIDI revenue also grew +32% yoy/+2% qoq while fixed telecom declined by -25% yoy/-16% qoq. EBITDA rose to Rp6.6tr (+8% yoy/-5% qoq), implying an EBITDA margin of 47.6% (+4 bps yoy/-120 bps qoq) on weaker revenue seasonality. Cash opex grew by +8% yoy/flat qoq as personnel cost increased 16.5% yoy due to increases in salaries and incentives.

Declining subs and ARPU qoq due to soft consumer demand

Subs declined slightly to 98.7mn in 3Q24 (vs. 100.9mn in 2Q24), likely attributable to weaker seasonality in 3Q along with sim card consolidation on the low-end customers. ARPU declined to Rp37.2k (vs. Rp35.4/38.4k in 3Q24/2Q24) as weaker seasonality affected spending and still short of management’s target of Rp40k ARPU. Management expects ARPU to improve in 4Q24 as price hikes of 5-9% will take affect from increases in modern and traditional channels between 3rd week of Aug to Sep. Data yield was flat at Rp2.7/MB.

Maintain Buy with an unchanged TP of Rp3,500

Overall results came within our expectations, we expect to see further monetization in the 4Q24 as ISAT has done a price hike at the end of 3Q. Maintain Buy on ISAT with an unchanged blended valuation-based (DCF and EV/EBITDA multiple) TP of Rp3,500. Risk are sluggish synergy realization and competition.

Financial Summary (Rp bn)	2022A	2023A	2024F	2025F	2026F
Revenue	46,752	51,229	57,057	61,098	64,747
EBITDA	19,469	23,938	27,328	30,010	32,263
EBITDA growth	40.2%	23.0%	14.2%	9.8%	7.5%
Net profit	4,723	4,506	5,075	5,793	6,617
EPS (Rp)	586	559	629	719	821
EPS growth	-30.0%	-4.6%	12.6%	14.2%	14.2%
ROE	14.9%	13.4%	13.7%	14.2%	14.9%
PER (x)	18.8	19.7	14.7	12.9	11.3
EV/EBITDA (x)	7.2	5.9	4.6	4.2	3.9
Dividend yield	2.3%	2.3%	2.4%	2.7%	3.9%
IPS vs. consensus			98%	91%	89%

Sources: Company, Indo Premier

Share price closing as of: 30 October 2024

Fig. 1: ISAT 3Q24 results

(Rp bn)	9M24	9M23	%YoY	3Q24	3Q23	%YoY	2Q24	%QoQ	IPS FY24F	% of IPS	Cons FY24F	% of Cons
Revenue	41,812	37,462	11.6%	13,836	12,788	8.2%	14,141	-2.2%	57,057	73.3%	55,469	75.4%
Operating expenses	(33,425)	(30,927)	8.1%	(11,120)	(10,394)	7.0%	(11,247)	-1.1%				
Operating profit	8,387	6,536	28.3%	2,716	2,394	13.5%	2,894	-6.1%				
EBITDA	20,000	17,467	14.5%	6,588	6,084	8.3%	6,903	-4.6%	27,328	73.2%	26,794	74.6%
Other income/(expense)	(3,089)	(2,933)	5.3%	(1,139)	(1,212)	-6.0%	(941)	21.1%				
Pre-tax profit	5,298	3,602	47.1%	1,577	1,182	33.4%	1,953	-19.3%				
Taxes	(1,139)	(616)	84.9%	(342)	(240)	42.9%	(420)	-18.4%				
Net profit	3,878	2,787	39.1%	1,143	879	30.1%	1,440	-20.6%	5,075	76.4%	5,189	74.7%
Margin (%)												
EBITDA margin	47.8%	46.6%	121	47.6%	47.6%	4	48.8%	(120)				
Net margin	9.3%	7.4%		8.3%	6.9%		10.2%					
Operational data												
Legacy revenue	700	813	-13.9%	221	257	-13.9%	241	-8.2%				
Data revenue	33,314	30,231	10.2%	11,208	10,356	8.2%	11,182	0.2%				
Data traffic (PB)	12,050	10,701	12.6%	4,085	3,505	16.5%	4,107	-0.5%				
Data yield (IDR/MB)	2.8	2.8	-2.1%	2.7	3.0	-7.1%	2.7	0.8%				
Blended ARPU (Rp k/month)	37.7	34.7	8.6%	37.2	35.4	5.1%	38.4	-3.1%				
Subscribers (mn people)	98.7	99.4	-0.7%	98.7	99.4	-0.7%	100.9	-2.2%				

Source: Company, Indo Premier

Income Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
Net revenue	46,752	51,229	57,057	61,098	64,747
Cost of sales	-	-	-	-	-
Gross profit	46,752	51,229	57,057	61,098	64,747
SG&A Expenses	(40,987)	(41,912)	(45,043)	(48,019)	(50,521)
Operating profit	5,766	9,317	12,014	13,079	14,225
EBITDA	19,469	23,938	27,328	30,010	32,263
Net interest	(4,227)	(4,394)	(5,044)	(5,294)	(5,424)
Forex gain (loss)	167	(104)	(114)	(122)	(129)
Others	4,831	1,112	(320)	(336)	(356)
Pre-tax income	6,536	5,932	6,536	7,326	8,316
Income tax	(1,166)	(1,156)	(1,177)	(1,319)	(1,497)
Minority interest	(647)	(269)	(285)	(305)	(324)
Net income	4,723	4,506	5,075	5,702	6,495

Balance Sheet (Rp bn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	9,508	5,190	5,698	7,466	8,306
Receivable	2,374	3,144	3,126	3,348	3,548
Other current assets	6,801	7,146	9,243	11,958	12,556
Total current assets	18,683	15,480	18,067	22,772	24,410
Fixed assets	69,070	72,861	70,431	68,573	66,463
Other non-current assets	26,127	26,382	31,658	36,407	41,868
Total non-current assets	95,197	99,243	102,089	104,980	108,331
Total assets	113,880	114,722	120,157	127,751	132,741
Payable	12,661	12,974	11,724	12,498	13,149
Other payables	11,838	11,704	10,533	9,480	8,532
Current portion of LT loans	11,375	9,457	17,529	18,782	19,269
Total current liab.	35,874	34,134	39,786	40,760	40,950
Long term loans	44,609	44,414	40,901	43,824	44,962
Other LT liab.	1,782	2,465	2,490	2,515	2,532
Total liabilities	82,265	81,013	83,176	87,098	88,444
Equity	18,916	18,875	18,875	18,875	18,875
Retained earnings	9,427	11,871	15,143	18,816	22,460
Minority interest	3,272	2,963	2,963	2,963	2,963
Total SHE + minority int.	31,615	33,709	36,981	40,653	44,297
Total liabilities & equity	113,880	114,722	120,157	127,751	132,741

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
Net income	4,723	4,506	5,075	5,702	6,495
Depr. & amortization	13,703	14,621	15,314	15,631	16,038
Changes in working capital	5,124	(937)	(4,500)	(3,215)	(1,095)
Others	(18,635)	697	(4,966)	(4,418)	(5,120)
Cash flow from operating	4,916	18,887	10,922	13,700	16,318
Capital expenditure	(37,080)	(18,080)	(12,553)	(13,442)	(13,597)
Others	(179)	(331)	(331)	(331)	(331)
Cash flow from investing	(37,258)	(18,411)	(12,884)	(13,773)	(13,928)
Loans	22,120	(2,113)	4,559	4,176	1,625
Equity	17,942	(620)	(285)	(305)	(324)
Dividends	(2,000)	(2,062)	(1,803)	(2,030)	(2,851)
Others	(0)	-	-	-	-
Cash flow from financing	38,062	(4,795)	2,471	1,841	(1,550)
Changes in cash	5,719	(4,318)	509	1,768	840

Key Ratios	2022A	2023A	2024F	2025F	2026F
Gross margin	100.0%	100.0%	100.0%	100.0%	100.0%
EBITDA margin	41.6%	46.7%	47.9%	49.1%	49.8%
Pre-tax margin	14.0%	11.6%	11.5%	12.0%	12.8%
Net margin	10.1%	8.8%	8.9%	9.3%	10.0%
ROA	4.1%	3.9%	4.2%	4.5%	4.9%
ROE	14.9%	13.4%	13.7%	14.0%	14.7%
ROIC	9.7%	11.6%	14.0%	14.1%	14.5%

Acct. receivables TO (days)	17	20	20	20	20
Acct. payables - other TO (days)	138	138	138	138	138
Net debt/EBITDA (inc. leases) (x)	2.4	2.0	1.9	1.8	1.7
Net debt/EBITDA (ex. leases) (x)	0.8	0.7	0.8	0.8	0.7
Interest coverage (x)	1.3	2.0	2.3	2.4	2.6

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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