

PT XL Axiata Tbk (EXCL)

Company Focus

February 21, 2024

FY23 results: Top line and bottom line outperformed our expectations

EBITDA margin lowered in 4Q23. In 4Q23, EXCL recorded a lower net income of IDR 260.51 billion, which fell by 27.62% QoQ, while on a YoY basis jumped by 103.14% YoY. This was caused by flat revenue growth of only 4.34% QoQ to IDR 8.45 trillion, with revenue from data and digital service contributed of IDR 7.68 trillion (+5.04% QoQ) due to traffic data which slightly increased by 3.1% QoQ to 2,529 PB, reflected data yield at IDR 3.0/MB in 4Q23. Moreover, opex increased by 8.11% QoQ to IDR 4.32 trillion due to an increase in infrastructure expenses by 7.19% to IDR 2.34 trillion along with higher license fees and rental and services costs. The increase in opex leads the EBITDA margin to be lowered to 48.8% in 4Q23, compared to 3Q23 at 50.6%. However, overall FY23 performance still came in above expected driven by higher revenue by 10.91% YoY to IDR 32.32 trillion while marketing expenses declined by 6.23% YoY to IDR 2.45 trillion. Therefore, net income was able to grow positively by 14.57% YoY to IDR 1.27 trillion, coming above our estimate of 111%.

ARPU maintains a positive trend. Monetization efforts by EXCL have shown a positive result with blended ARPU consistently improving to IDR 43k in 4Q23, compared to 4Q22 which only IDR 40k driven by healthy competition in the industry which created opportunities for EXCL to adjust its price in all portfolios. Meanwhile, total subscribers tend to stagnate at 57.5 as the company focuses on maintaining quality subscribers and healthy traffic trends. Moreover, based on data from the speedtest global index in 4Q23, the median download speed of EXCL was at 20.77 Mbps, compared to 19.90 Mbps in 1Q23 and also better than ISAT at 20.31 Mbps, Hutchison 3 at 19.95 Mbps, and Smartfren at 18.76 Mbps. Additionally, EXCL's traffic data surged by 20.6% YoY to 9,638 PB last year.

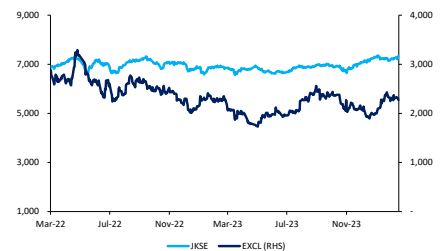
EXCL is still on track to become the 2nd biggest player in FBB business. EXCL reported that its convergence penetration reached 75% in 4Q23 with 235k XL home subscribers, compared to FY22 with only 37% penetration. Besides that, EXCL's home passed reach 2mn last year, compared to only 1mn in FY22 with current coverage at 86 cities. We highlight this massive growth supported by its collaboration with Link Net which successfully added 1 mn for homes passed. Also, the collaboration was the initiation of structural transformation to create ServeCo and FibreCo. Later, FiberCo will focus on Link Net's main strength as a fiber network specialist, meanwhile, ServeCo will handle the management of mobile services, fixed broadband, fixed mobile convergence, and digital services to all customers, then drive the acceleration of value for the Group overall. Going forward, Link Net will add nearly 6.5 million access to home passes. We also have a positive view of this plan, since FBB's penetration is still below 20% and the download speed for fixed broadband internet in Indonesia is only 27.87 Mbps, much lower than the global level of 90.93 Mbps in December 2023, based on Speedtest global index.

Maintain our rating for EXCL. EXCL management's guidance for 1). Revenue growth of high single digit, 2) EBITDA margin of ~50%, and 3). Capex of IDR 8 trillion which is primarily to support the development of the EXCL data services business network. Furthermore, we also see a positive outlook for EXCL on the back of positive ARPU, lower churn rate, and improvement in network quality. Importantly, a stronger financial position will support its further expansion plan for the company. We retain our BUY rating for EXCL with a target price of IDR 2,900 per share, which reflected EV/EBITDA FY24E at 5.1x.

BUY

Current Price (IDR) (16/02)	2,270
Target price (IDR)	2,900
Upside/Downside (%)	27.8%
52 Week High (IDR)	2,560
52 Week Low (IDR)	1,695
Major Shareholders:	
Axiata Investments Sdn. Bhd	66.25%
Public and others	33.75%

Stock Price Movement



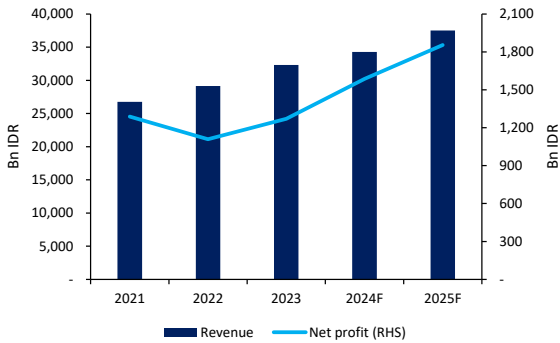
Source: Bloomberg, Shinhan Sekuritas Indonesia

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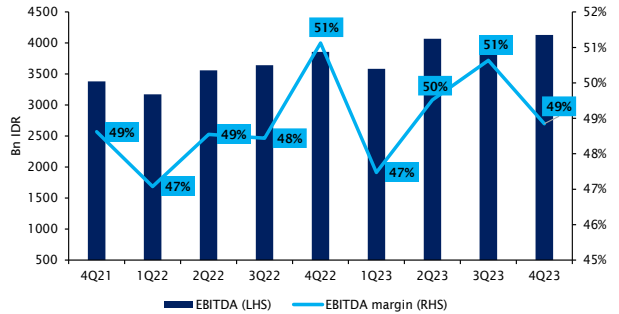
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Revenue and Net Profit



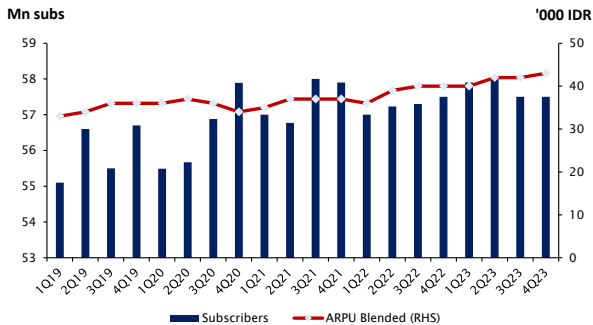
Source: Company, Shinhan Sekuritas Indonesia

EBITDA Margin



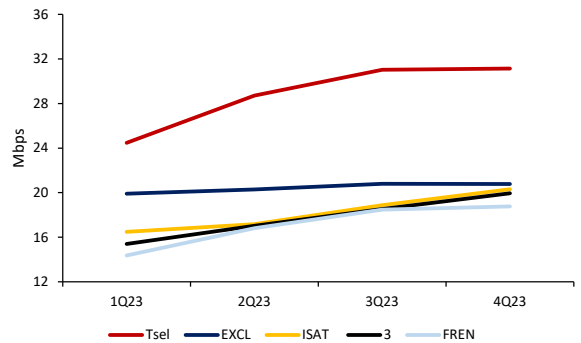
Source: Company, Shinhan Sekuritas Indonesia

Subscribers and ARPU



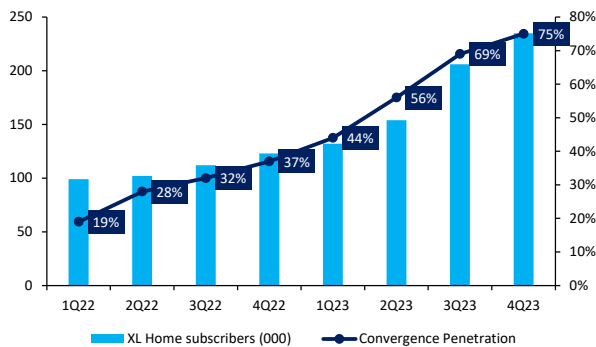
Source: Company, Shinhan Sekuritas Indonesia

Operators celluler download speed in 4Q23



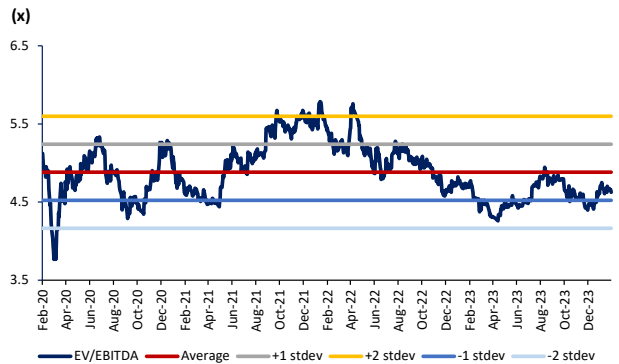
Source: Speedtest Global Index, Shinhan Sekuritas Indonesia

Convergence Penetration



Source: Company, Shinhan Sekuritas Indonesia

EXCL Forward EV/EBITDA



Source: Company, Shinhan Sekuritas Indonesia

Income Statement

Year-End 31 Dec (Bn IDR)	2021	2022	2023	2024F	2025F
Sales	26,754	29,142	32,323	34,265	37,520
Infrastructure Expenses	(7,990)	(7,734)	(8,996)	(9,842)	(10,777)
Depreciation Expenses	(9,956)	(10,570)	(11,348)	(10,529)	(11,474)
EBITDA	13,287	14,235	15,885	16,553	18,193
Operating Expenses	(2,866)	(2,971)	(2,868)	(2,932)	(3,215)
Operating Profit	3,989	4,015	4,736	5,580	6,256
Pre-Tax Profit	1,708	1,353	1,705	2,004	2,459
Income Tax Expenses	(420)	(232)	(420)	(441)	(541)
Net Profit	1,288	1,109	1,271	1,548	1,899
EPS (IDR)	98	85	97	118	145

Source: Company, Shinhan Sekuritas Indonesia

Balance Sheet

Year-End 31 Dec (Bn IDR)	2021	2022	2023	2024F	2025F
Assets					
Cash & Cash Equivalents	2,664	5,184	966	2,191	2,205
Accounts Receivable	610	852	1,435	1,521	1,665
Inventories	156	408	378	393	428
Other Current Assets	4,302	3,964	4,395	4,395	4,395
Total Current Assets	7,733	10,408	7,174	8,500	8,694
Net Fixed Assets	51,912	60,474	63,890	71,363	73,890
Other Assets	13,108	16,396	16,624	16,812	17,010
Total Assets	72,753	87,278	87,688	96,674	99,593
Liabilities and Equities					
Accounts Payables	10,638	11,337	9,383	9,756	10,633
Other Short-Term Liabilities	10,316	15,013	10,759	17,810	18,935
Total Current Liabilities	20,954	26,351	20,142	27,566	29,568
Long-Term Borrowings	28,356	30,680	37,077	37,071	36,646
Other Long-Term Liabilities	3,355	4,473	3,964	4,627	4,836
Total Liabilities	52,665	61,504	61,183	69,264	71,050
Minority Interest	-	-	-	-	-
Total Equity	20,089	25,774	26,505	27,410	28,543
BVPS (IDR)	1,530	1,963	2,019	2,088	2,174

Source: Company, Shinhan Sekuritas Indonesia

Cash Flows

Year-End 31 Dec (Bn IDR)	2021	2022	2023	2024F	2025F
Net Profit	1,288	1,109	1,271	1,548	1,899
Change in Working Capital	3,196	206	(2,507)	272	697
CFs from Operating	11,899	10,710	7,436	12,360	14,089
CFs from Investing	(13,858)	(20,851)	(12,959)	(18,189)	(14,199)
CFs from Financing	1,642	12,610	1,311	7,054	124
Net Inc./.(Dec.) in Cash	(317)	2,469	(4,213)	1,225	15
Cash at End. Period	2,664	5,184	966	2,191	2,205

Source: Company, Shinhan Sekuritas Indonesia

Key Ratio

Year-End 31 Dec	2021	2022	2023	2024F	2025F
Profitability					
Operating Margin	14.9%	13.8%	14.7%	16.3%	16.7%
EBITDA Margin	49.7%	48.8%	49.1%	48.3%	48.5%
Profit Margin	4.8%	3.8%	3.9%	4.5%	5.1%
ROA	1.8%	1.3%	1.4%	1.6%	1.9%
ROE	6.4%	4.3%	4.8%	5.6%	6.7%
Growth					
Revenue	2.9%	8.9%	10.9%	6.0%	9.5%
Operating Profit	51.6%	0.6%	18.0%	17.8%	12.1%
EBITDA	1.7%	7.1%	11.6%	4.2%	9.9%
Net Profit	246.6%	-13.9%	14.6%	21.7%	22.7%
Solvability					
Current Ratio (x)	0.4	0.4	0.4	0.3	0.3
Quick Ratio (x)	0.4	0.4	0.3	0.3	0.3
Debt to Equity (x)	1.8	1.7	1.7	1.8	1.9
Interest Coverage (x)	1.7	1.4	1.6	1.6	1.7

Source: Company, Shinhan Sekuritas Indonesia



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