

COMPANY UPDATE

XL Axiata (EXCL IJ)

Data Traffic On New Year's Eve 90% Higher Than Normal Days; Maintain BUY

EXCL's data traffic on 31 Dec 23 (New Year's Eve) was 90% higher than normal days' average. Compared with normal days' average traffic, EXCL's data traffic increase was the strongest among Indonesian telcos as it reached 15% between 24 Dec 23 and 2 Jan 24. This is higher than the data traffic increase of Telkomsel (14%) and ISAT (9% as of 1 Jan 24). EXCL's NPAT should rise by 19.3% in 2024, followed by 14% in 2025. Maintain BUY. Target price increased to Rp2,700 (28% upside).

WHAT'S NEW

- **EXCL's data traffic jumped 15% during the holiday vs normal days, ...** XL Axiata (EXCL) previously expected a significant increase in its (mobile broadband service) data traffic given that people's mobility is higher at various regions to celebrate Christmas (25 Dec 23) and New Year (1 Jan 24), as reported by Bisnis Indonesia (5 Jan 24). The peak of EXCL's data traffic increase was achieved on New Year's Eve (31 Dec 23), reaching 90% higher than normal days' average.
- **...stronger than Telkomsel's (14%) and Indosat's (9%).** EXCL's increase in data traffic during the recent festive season was the highest among Indonesia's telcos. This considers that Telkomsel, the telco market leader of Indonesia, reported on 4 Jan 24 that its data traffic rose 14% compared with the average of its normal days' data traffic. Telkom Indonesia (TLKM) is the majority shareholder of Telkomsel. Meanwhile, Indosat (ISAT) stated on 2 Jan 24 that its data traffic went up by 8% on 24 Dec 23 and 9% on 31 Dec 23 compared with the normal days' average.
- **Traffic of fixed broadband service was 12-15% higher than normal days.** Usage of XL Home (EXCL's fixed broadband service) increased as many people also celebrated the festive season at home, according to the company. We estimate EXCL's 2024 fixed broadband revenue to grow 66% yoy to Rp669b (about 2% of EXCL's 2024 revenue). This is primarily supported by a 101% yoy growth in the number of its fixed broadband subscribers.
- **Strong NPAT growth with 19.3% increase in 2024.** We expect EXCL to generate sustainable earnings growth over the next few years, assuming a relatively healthy pricing environment. In 2023, NPAT is expected to rise 27% yoy, and then grow 19.3% and 14% in 2024 and 2025 respectively. This increase in NPAT will be driven by an annual Rp800b-900b increase in EBITDA that will translate to bottom line growth. We expect this growth to be partly driven by a combination of 18% yoy growth in data traffic of mobile broadband and 101% yoy growth in subscriber base of fixed broadband.

KEY FINANCIALS

Year to 31 Dec (Rpb)	2021	2022	2023F	2024F	2025F
Net turnover	26,754	29,142	31,245	33,533	35,847
EBITDA	13,287	14,235	15,310	16,109	17,006
Operating profit	3,331	3,658	4,107	4,388	4,714
Net profit (rep./act.)	1,288	1,109	1,409	1,681	1,917
Net profit (adj.)	791	814	1,235	1,538	1,857
EPS (Rp)	60.2	62.0	94.0	117.2	141.4
PE (x)	35.0	34.0	22.4	18.0	14.9
P/B (x)	1.4	1.1	1.1	1.0	1.0
EV/EBITDA (x)*	4.7	4.4	4.1	3.9	3.7
Dividend yield (%)	2.0	2.0	2.5	3.0	3.5
Net margin (%)	4.8	3.8	4.5	5.0	5.3
Net debt/(cash) to equity (%)	37.9	27.0	11.9	(2.1)	4.2
Interest cover (x)	5.8	5.3	6.6	7.3	8.0
ROE (%)	6.6	4.9	5.4	6.3	6.9
Consensus net profit	-	-	1,289	1,625	2,006
UOBKH/Consensus (x)	-	-	0.96	0.95	0.93

* Including lease liabilities.

Source: XL Axiata, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Rp2,110
Target Price	Rp2,700
Upside	+28.0%
(Previous TP)	Rp2,500)

COMPANY DESCRIPTION

A telecommunications service provider, with cellular and mobile internet services as its main businesses.

STOCK DATA

GICS sector	Communication Services
Bloomberg ticker:	EXCL IJ
Shares issued (m):	13,128.4
Market cap (Rpb):	27,701.0
Market cap (US\$m):	1,784.9
3-mth avg daily t'over (US\$m):	2.3

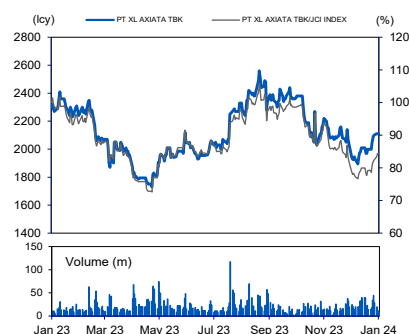
Price Performance (%)

52-week high/low	Rp2,560/Rp1,730			
1mth	3mth	6mth	1yr	YTD
3.4	(10.6)	2.4	(7.9)	5.5

Major Shareholders

Axiata Investments Bhd	61.2
FY24 NAV/Share (Rp)	2,071
FY24 Net Cash/Share (Rp)	43

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **19% yoy growth in data traffic during Christmas/New Year holidays.** EXCL's data traffic between 24 Dec 23 and 2 Jan 24 surged 15% vs normal days and 19% vs the similar period last year. EXCL reported that its data traffic was dominated by streaming services, whose traffic increased by 10% vs normal days, according to Liputan 6 news (7 Jan 24).

TELCOS' DATA TRAFFIC GROWTH DURING THE CHRISTMAS AND NEW YEAR HOLIDAYS

Comparison with the average traffic in normal days:

Telco Operator	2023/24	2022/23
XL Axiata	15.0%	8.0%
Telkomsel	14.1%	11.6%
Indosat	8.4% (24 Dec 2023); 8.9% (1 Jan 2024)	16.0% (1 Jan 2023)
Smartfren	9.0%	NA

Comparison with the data traffic during similar period in the previous year (yoy)

Telco Operator	2023 / 2024	2022 / 23
XL Axiata	19.0%	29.0%
Telkomsel	11.9%	13.0%
Indosat	NA	NA

Source: Liputan 6, Kontan, Bisnis Indonesia, TLKM, ISAT, UOB Kay Hian.

TRAFFIC BY DIGITAL SERVICE (CHRISTMAS 2023 AND NEW YEAR 2024)

Digital service	Traffic increase vs normal days' average
Streaming	10.0%
Game	68.0%
Social media	
Facebook	10-15%
Instagram	23.0%
Youtube	8.0%
Tiktok	4.0%
Instant messaging	
Whatsapp	30.0%

Source: Liputan 6, UOB Kay Hian.

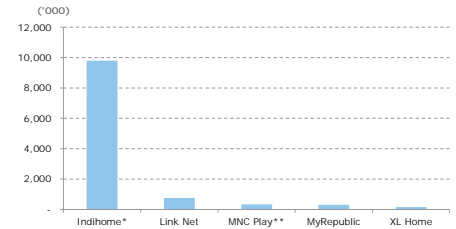
VALUATION/RECOMMENDATION

- **Earnings revision.** None.
- **Downside risks:** a) Competition, b) worsening macroeconomic conditions, c) higher-than-expected costs, including interest expenses, and d) unfavourable change in regulation.

VALUATION/RECOMMENDATION

- **Raise target price to Rp2,700, maintain BUY.** Our target price implies EV/EBITDA of 4.4x (-0.5SD), higher from the previous 4.2x (around -1SD). This considers: a) an improvement in network quality as the percentage of fiberised sites reached 61% in 3Q23 vs 39% in FY21 and 54% in FY22, b) data traffic growth (+15% vs normal days) during the festive season was stronger than its closest peer (ISAT), c) moderate EBITDA growth of 5% yoy in 2024, d) 19% yoy growth in NPAT for 2024, and e) good balance sheet quality (0.5x net debt / EBITDA in 3Q23). EXCL trades at EV/EBITDA of 3.9x for 2024, 4% cheaper than its -1SD.

FIXED BROADBAND SUBSCRIBERS

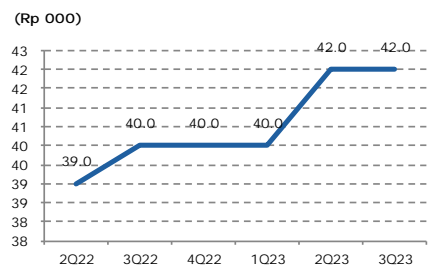


*) Including enterprise customers.

**) Indosat acquired a number of MNC Play subscribers in Nov 2023.

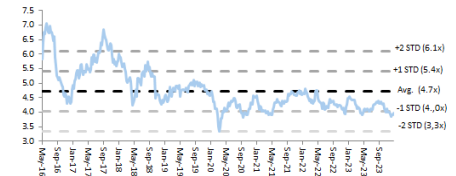
Source: Respective companies, Kontan, UOB Kay Hian

CELLULAR'S BLENDED ARPU



Source: EXCL, UOB Kay Hian

EV/EBITDA BAND



Source: EXCL, Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Net turnover	29,142	31,245	33,533	35,847
EBITDA	14,235	15,310	16,109	17,006
Deprec. & amort.	10,577	11,204	11,721	12,292
EBIT	3,658	4,107	4,388	4,714
Total other non-operating income	361	112	82	(7.9)
Net interest income/(expense)	(2,666)	(2,325)	(2,214)	(2,137)
Pre-tax profit	1,353	1,893	2,256	2,570
Tax	(232)	(473)	(564)	(642)
Minorities	(12)	(11)	(11)	(11)
Net profit	1,109	1,409	1,681	1,917
Net profit (adj.)	814	1,235	1,538	1,857

CASH FLOW

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Operating	14,104	12,609	13,252	8,757
Pre-tax profit	1,353	1,893	2,256	2,570
Tax	(232)	(473)	(564)	(642)
Deprec. & amort.	10,577	11,204	11,721	12,292
Working capital changes	599	(3.5)	(151)	(5,452)
Other operating cashflows	1,807	(11)	(11)	(11)
Investing	(11,495)	(8,257)	(8,862)	(9,659)
Capex (growth)	(8,831)	(8,257)	(8,862)	(9,659)
Others	(2,664)	0.0	0.0	0.0
Financing	(91)	(2,359)	(2,594)	(1,695)
Dividend payments	(544)	(552)	(705)	(841)
Issue of shares	5,000	0.0	0.0	0.0
Proceeds from borrowings	1,847	(1,808)	(1,889)	(854)
Others/interest paid	(6,394)	0.0	0.0	0.0
Net cash inflow (outflow)	2,518	1,993	1,796	(2,597)
Beginning cash & cash equivalent	2,664	5,184	7,177	8,973
Changes due to forex impact	2.1	0.0	0.0	0.0
Ending cash & cash equivalent	5,184	7,177	8,973	6,376

BALANCE SHEET

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Fixed assets	60,474	57,484	54,727	52,340
Other LT assets	16,396	18,087	19,614	21,679
Cash/ST investment	5,184	7,177	8,973	6,376
Other current assets	5,224	6,078	6,319	10,068
Total assets	87,278	88,826	89,633	90,463
ST debt	5,622	691	854	2,419
Other current liabilities	20,728	21,186	21,163	19,804
LT debt	6,488	9,611	7,559	5,140
Other LT liabilities	28,665	30,849	32,717	34,790
Shareholders' equity	25,643	26,348	27,189	28,147
Minority interest	131	142	152	163
Total liabilities & equity	87,278	88,826	89,633	90,463

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	48.8	49.0	48.0	47.4
Pre-tax margin	4.6	6.1	6.7	7.2
Net margin	3.8	4.5	5.0	5.3
ROA	1.4	1.6	1.9	2.1
ROE	4.9	5.4	6.3	6.9
Growth				
Turnover	8.9	7.2	7.3	6.9
EBITDA	7.1	7.6	5.2	5.6
Pre-tax profit	(20.8)	39.9	19.2	13.9
Net profit	(13.9)	27.0	19.3	14.0
Net profit (adj.)	2.9	51.7	24.6	20.7
EPS	2.9	51.7	24.6	20.7
Leverage				
Debt to total capital	32.0	28.0	23.5	21.1
Debt to equity	47.2	39.1	30.9	26.9
Net debt/(cash) to equity	27.0	11.9	(2.1)	4.2
Interest cover (x)	5.3	6.6	7.3	8.0

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