

XL Axiata Tbk (EXCL)

Memanfaatkan Momentum

Pertumbuhan Tertinggi

EXCL pada 3Q17 tetap mampu memanfaatkan momentum pertumbuhan positif industri dengan mencatatkan **pertumbuhan tertinggi di industri telekomunikasi**. *Data traffic* tercatat naik 136,5% y-y menjadi 325.745 TB dengan pendapatan data naik 65,7% menjadi Rp3,5 triliun. Peningkatan ini juga didorong **kenaikan pengguna smartphone** menjadi 36,7 juta (+36% y-y) atau dengan tingkat penetrasi 70% (vs Telkomsel 51%; ISA 47%).

Manajemen biaya yang terkontrol membuat EBITDA margin relatif stabil di angka 35,9%. Manajemen saat ini melakukan beberapa inisiatif yang ke depan diperkirakan dapat mendorong peningkatan margin. Inisiatif tersebut diantaranya adalah **renegosiasi dengan vendor-vendor** dan perbaikan sistem pengadaan. Inisiatif tersebut diharapkan dapat menekan Opex dan Capex.

Selain itu, **tren penurunan leverage** juga terlihat dengan melakukan pembayaran utang bank Rp3 triliun selama 9M17. *Debt to Equity* berada di kisaran 80%, lebih rendah dari *Debt to Equity* sebesar 90,3% pada 2017, sedangkan *Debt to EBITDA* turun menjadi 2,0x dari 2,4x di 3Q16.

Memanfaatkan Pertumbuhan Traffic Data

Data yield dan ARPU EXCL pada 3Q17 relatif stabil di Rp10/MB dan ARPU Rp34.000. Sebaliknya, *data yield* Telkomsel yang turun secara agresif menjadi Rp14/MB dapat **mengubah peta kompetisi ke depan**. Melihat hal ini, manajemen EXCL tetap berkomitmen untuk meningkatkan kualitas melalui rencana pembangunan 16.000 BTS dan tetap melakukan monetisasi data.

Meskipun pemimpin pasar baru saja memenangkan lelang spektrum, sampai saat ini, **utilisasi spektrum EXCL masih cukup** untuk melayani tren lonjakan trafik data. Saat ini, utilisasi spektrum untuk 2G masih dibawah 20% **XL Axiata, Tbk | Summary (IDR bn)**

	2016/12A	2017/12E	2018/12E	2019/12E
Revenue	21,341	23,271	25,401	27,768
<i>Revenue growth</i>	-6.7%	9.0%	9.2%	9.3%
EBITDA	7,947	8,433	9,919	11,181
Net profit	376	283	713	979
EPS (IDR)	35	26	67	92
<i>EPS growth</i>	N/A	-24.7%	152.1%	37.3%
BVPS (IDR)	1,984	2,016	2,082	2,174
EBITDA margin	37.2%	36.2%	39.0%	40.3%
Net Profit Margin	1.8%	1.2%	2.8%	3.5%
ROE	2.1%	1.3%	3.3%	4.3%
ROA	0.7%	0.5%	1.3%	1.7%
ROIC	-0.5%	2.9%	2.3%	3.2%
P/E	6.2x	11.4x	4.5x	3.3x
P/BV	1.2x	1.6x	1.5x	1.5x
EV/EBITDA	5.2x	6.1x	5.0x	4.3x
DPS (IDR)	-	-	-	-
<i>Dividend yield</i>	0.0%	0.0%	0.0%	0.0%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Buy

Dec 2018 TP (IDR)	4,400
Consensus Price (IDR)	4,011
TP to Consensus Price	+9.7%
vs. Last Price	+36.6%

Shares data

Last Price (IDR)	3,220
Price date as of	Jan 17, 2018
52 wk range (Hi/Lo)	4,060 / 2,610
Free float	33.6%
Outstanding sh.(mn)	10,688
Market Cap (IDR bn)	34,201
Market Cap (USD mn)	2,562
Avg. Trd Vol - 3M (mn)	6.13
Avg. Trd Val - 3M (bn)	19,587
Foreign Ownership	99.97%

Infrastructure

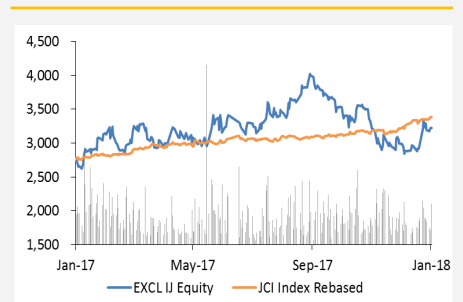
Telecommunication

Bloomberg	EXCL.IJ
Reuters	EXCL.JK

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Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	8.8%	7.7%	-8.8%	16.2%
Rel. Ret.	7.4%	2.6%	-17.1%	-6.1%

Ekspansi ke Luar Jawa

Melihat dominasi TLKM di pangsa pasar luar Jawa, EXCL berencana untuk meningkatkan pelayanan di luar Jawa. Meskipun **luar Jawa masih menjanjikan pertumbuhan yang lebih besar**, EXCL tetap menganggap Jawa sebagai basis pendapatan dan tetap akan mengembangkan bisnis di Jawa.

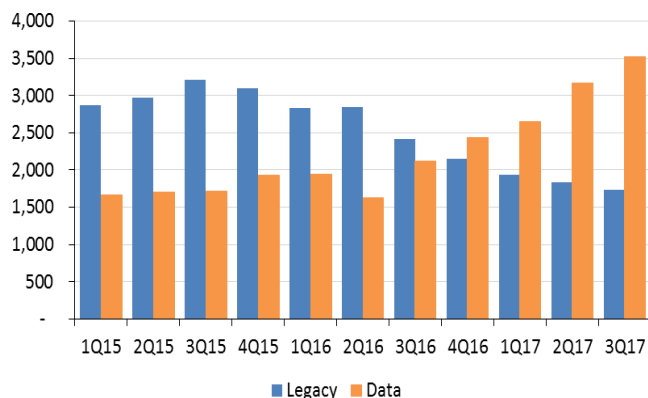
Manajemen EXCL sendiri telah berkomitmen **mengalokasikan 50% dari total capex untuk ekspansi bisnis di luar Jawa**. Alokasi ini lebih tinggi dari alokasi capex sebelumnya yang hanya 20%. Selain itu, 60% konstruksi BTS akan dialokasikan ke luar Jawa.

Target Harga Rp4.400

Target harga diperoleh dari estimasi forward EV/EBITDA sebesar 5,6x (rata-rata standar deviasi satu tahun). Target harga ini mengimplikasikan EV/EBITDA 2018E sebesar 6,3x. Saat ini, EXCL diperdagangkan pada EV/EBITDA 6,1x.

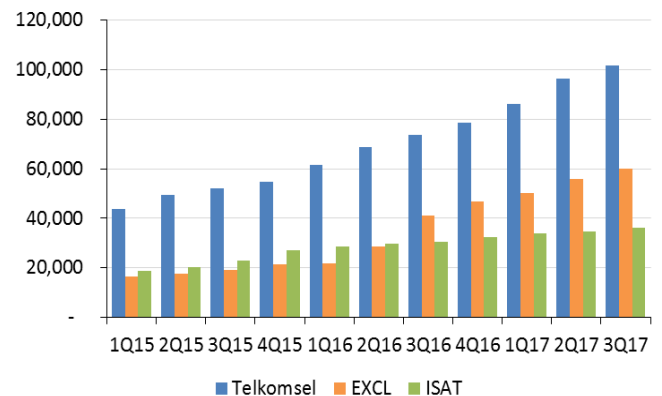
Operational Performance

Revenue Proportion | 1Q15 - 3Q17



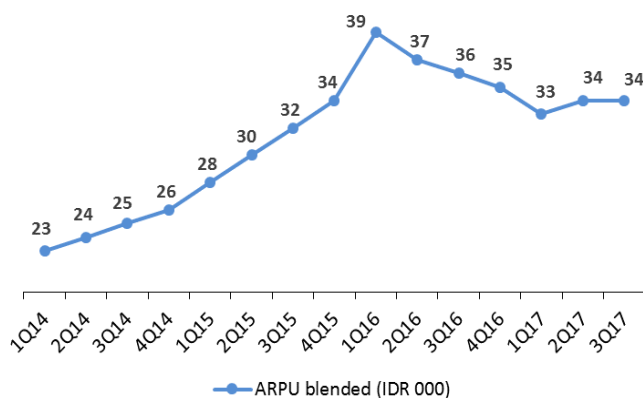
Source: Company

3G/4G BTS | 1Q15 - 3Q17



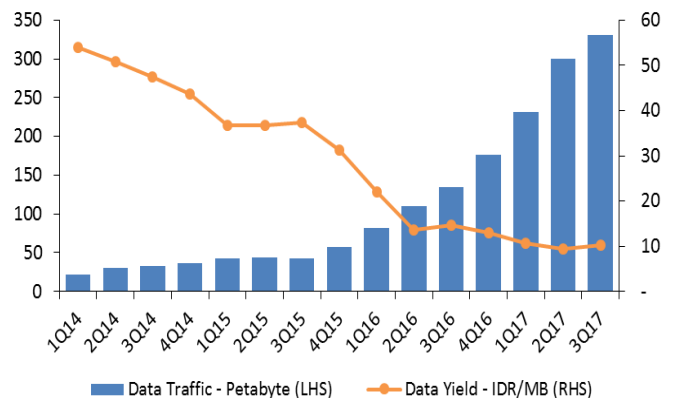
Source: Company, NHKS research

ARPU Blended | 1Q14 - 3Q17



Source: Company

Data Traffic & Data Yield | 1Q14 - 3Q17



Source: Company

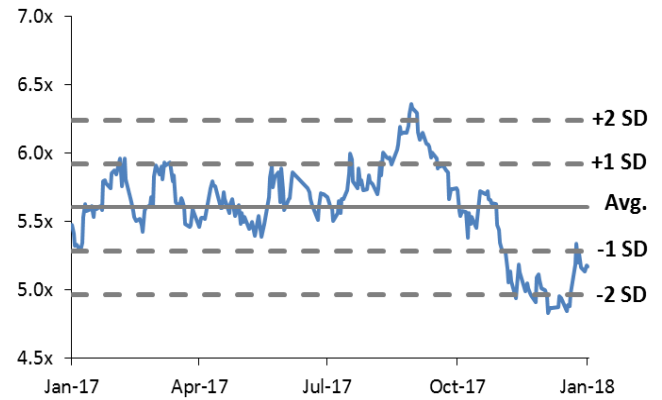
Multiple Valuation

Forward EV/EBITDA band | Last 1 year



Source: NHKS research

Dynamic Forward EV/EBITDA band | Last 1 year



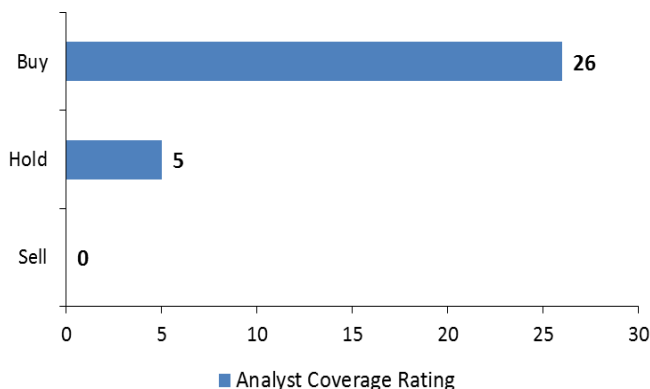
Source: NHKS research

Rating and target price

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
2/23/2017	Hold	3,080	3,070	3,293	0.3%	-6.5%
7/4/2017	Hold	3,080	3,310	3,592	-6.9%	-14.3%
9/29/2017	Buy	4,400	3,700	3,896	18.9%	12.9%
1/23/2018	Buy	4,400	3,220	4,011	36.6%	9.7%

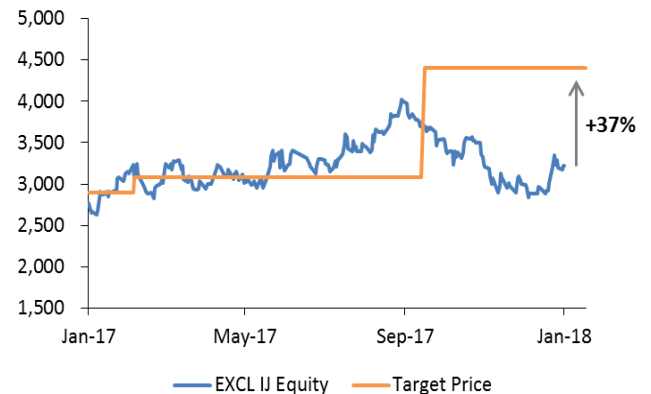
Source: NHKS research

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKS research

NH Korindo Sekuritas Indonesia (NHKS) stock ratings

1. Period: End of year target price
2. Rating system based on a stock's absolute return from the date of publication
 - Buy : Greater than +15%
 - Hold : -15% to +15%
 - Sell : Less than -15%

Summary of Financials

EXCL Summary		
Last Price (IDR)	January 17, 2018	3,220
Target Price (IDR)	Dec 2018	4,400
Analyst: Arnold Sampeliling	Rating:	Buy

INCOME STATEMENT

In IDR bn	2016/12A	2017/12E	2018/12E	2019/12E
Net Revenue	21,341	23,271	25,401	27,768
Growth (% y/y)	-6.7%	9.0%	9.2%	9.3%
Operating Expenses	(21,441)	(22,081)	(24,181)	(26,034)
EBIT	(99)	1,190	1,220	1,734
EBIT Margin	-0.5%	5.1%	4.8%	6.2%
D & A	8,046	7,243	8,699	9,447
EBITDA	7,947	8,433	9,919	11,181
EBITDA Margin	37.2%	36.2%	39.0%	40.3%
Interest expenses	(1,794)	(1,530)	(1,282)	(1,385)
EBT	186	271	950	1,305
Income Tax	190	12	(238)	(326)
Minority Interest	-	-	-	-
Net Profit	376	283	713	979
Growth (% y/y)	N/A	-24.7%	152.1%	37.3%
Net Profit Margin	1.8%	1.2%	2.8%	3.5%

BALANCE SHEET

In IDR bn	2016/12A	2017/12E	2018/12E	2019/12E
Cash	1,400	410	2,667	3,584
Receivables	637	1,080	904	1,167
Inventories	161	102	114	126
Total Current Assets	6,807	6,025	8,184	9,471
Net Fixed Assets	33,183	33,711	33,232	32,434
Intangible Assets	6,108	5,915	5,709	5,509
Other Non Current Assets	8,798	8,774	8,771	8,773
Total Assets	54,896	54,424	55,896	56,187
Payables	6,503	6,608	6,555	6,582
Curr Maturities of LT Debt	3,973	4,708	3,317	3,285
Other Current Liab.	4,002	3,920	4,567	4,283
LT Debt	14,394	13,047	14,487	14,140
Other Non Current Liab.	4,816	4,599	4,716	4,664
Total Liabilities	33,687	32,883	33,642	32,954
Shareholders' Equity	21,209	21,542	22,255	23,233

CASH FLOW STATEMENT

In IDR bn	2016/12A	2017/12E	2018/12E	2019/12E
Net Income	376	283	713	979
Deprec & Amortization	8,046	7,243	8,699	9,447
Chg. In Working Capital	(1,110)	(184)	692	(628)
CFO	7,312	7,342	10,104	9,798
Capex	(8,109)	(7,669)	(8,014)	(8,449)
CFI	(3,849)	(7,862)	(7,894)	(8,502)
Dividends Paid	-	-	-	-
Net Borrowing	(10,978)	(611)	48	(379)
CFF	(5,369)	(589)	48	(379)
Net Changes in Cash	(1,906)	(1,109)	2,257	917

OWNERSHIP

By Geography	% Shareholders	%
Malaysia	85.4	Axiata Investment Ltd 66.4
United States	8.0	Sun Life Financial Inc 1.5
Luxembourg	2.1	Brandes Investment 1.5
Britain	1.0	Vanguard Group 1.2

PROFITABILITY & STABILITY

	2016/12A	2017/12E	2018/12E	2019/12E
ROE	2.1%	1.3%	3.3%	4.3%
ROA	0.7%	0.5%	1.3%	1.7%
ROIC	-0.5%	2.9%	2.3%	3.2%
EBITDA/Equity	45.0%	39.5%	45.3%	49.2%
EBITDA/Assets	14.0%	15.4%	18.0%	20.0%
Cash Dividend (IDR bn)	-	-	-	-
Dividend Yield (%)	-	-	-	-
Payout Ratio (%)	-	-	-	-
DER	87%	82%	80%	75%
Net Gearing	202%	189%	176%	157%
LT Debt to Equity	87%	82%	80%	75%
Capitalization Ratio	46%	45%	44%	43%
Equity Ratio	39%	40%	40%	41%
Debt Ratio	33%	33%	32%	31%
Financial Leverage	322%	256%	252%	246%
Current Ratio	47%	40%	57%	67%
Quick Ratio	14%	10%	25%	34%
Cash Ratio	10%	3%	18%	25%
Par Value (IDR)	100	100	100	100
Total Shares (mn)	10,688	10,688	10,688	10,688
Share Price (IDR)	2,310	3,220	3,220	3,220
Market Cap (IDR tn)	24.7	34.4	34.4	34.4

VALUATION INDEX

	2016/12A	2017/12E	2018/12E	2019/12E
Price /Earnings	6.2x	11.4x	4.5x	3.3x
Price /Book Value	1.2x	1.6x	1.5x	1.5x
Price/Revenue	1.2x	1.5x	1.4x	1.2x
PE/EPS Growth	N/A	-0.5x	0.0x	0.1x
EV/EBITDA	5.2x	6.1x	5.0x	4.3x
EV/EBIT	-420.3x	43.5x	40.6x	27.8x
EV (IDR bn)	41,656	51,761	49,551	48,256
Revenue CAGR (3-Yr)	0.1%	-0.3%	3.6%	9.2%
EPS CAGR (3-Yr)	-34%	-165%	-382%	38%
Basic EPS (IDR)	35	26	67	92
Diluted EPS (IDR)	35	26	67	92
BVPS (IDR)	1,984	2,016	2,082	2,174
Revenue PS (IDR)	1,997	2,177	2,377	2,598
DPS (IDR)	-	-	-	-

DCF, RIM & EVA

	2016/12A	2017/12E	2018/12E	2019/12E
DCF (IDR bn)				
NOPAT	(201)	1,139	915	1,301
+Depr./Amor.	8,046	7,243	8,699	9,447
-CAPEX	(8,109)	(7,669)	(8,014)	(8,449)
-Incr. (Decr.) in Working Cap.	(1,110)	(184)	692	(628)
(Unlevered) FCFF	(1,373)	529	2,292	1,671
WACC				
Cost of Debt (Tax Adj.)	21.6%	8.0%	7.6%	7.0%
Cost of Equity (COE)	10.0%	12.7%	12.0%	12.4%
WACC (%)	15.0%	11.1%	10.5%	10.6%
RIM				
Spread (FROE-COE) (%)	-7.3%	-11.4%	-8.7%	-8.0%
Residual Income (IDR)	(1,032)	(2,415)	(1,868)	(1,783)
Equity Charge	1,407	2,698	2,580	2,762
EVA				
Invested Capital (IDR bn)	43,436	39,576	39,297	40,058
ROIC-WACC (%)	-15.4%	-8.2%	-8.2%	-7.3%
EVA (IDR bn)	(6,695)	(3,262)	(3,206)	(2,938)

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