

# XL Axiata Tbk (EXCL)

## Fokus Pengembangan Segment Data

Company Report | Oct 18, 2018

### Buy

<b>Dec 2019 TP (IDR)</b>	<b>3,930</b>
Consensus Price (IDR)	3,707
TP to Consensus Price	+6.0%
vs. Last Price	+38.9%

#### Shares data

Last Price (IDR)	2,830
Price date as of	Oct 17, 2018
52 wk range (Hi/Lo)	3,600 / 1,710
Free float (%)	33.6
Outstanding sh.(mn)	10,688
Market Cap (IDR bn)	30,247
Market Cap (USD mn)	1,995
Avg. Trd Vol - 3M (mn)	10.31
Avg. Trd Val - 3M (bn)	26,699
Foreign Ownership	99.78%

#### Infrastructure

#### Telecommunication

Bloomberg	EXCL.IJ
Reuters	EXCL.JK

#### Kemitraan dan Marketing Menjadi Andalan

Pada 2Q18, performa EXCL bertumbuh 1% q-q dan pada 1H18 pun EXCL membukukan pertumbuhan 1% y-y. Pertumbuhan ini memberikan keyakinan akan kinerja lebih baik pada 2H18. Program registrasi SIM card yang membuat EXCL menggelontorkan biaya *marketing sales* lebih besar, yaitu 65% y-y pada 1H18, membuahkan hasil memuaskan. Hal ini dibuktikan dengan kenaikan **total pelanggan EXCL pada 1H18 sebesar 5% y-y menjadi 53 juta dengan** 41 juta di antaranya adalah pengguna *smartphone*, meningkat 21% y-y. Untuk meningkatkan penetrasi pengguna *smartphone*, EXCL bermitra dengan Evercross dan YouTube merilis *smartphone* Xstream dengan harga mulai dari Rp600,000. Keberhasilan program ini mulai terlihat dari **penambahan data traffic pada 2Q18 menjadi 581 petabyte** (vs. 417,5 petabyte pada 1Q18).

#### Kualitas vs. Kuantitas

Guna menunjang kebutuhan pelanggan, EXCL terus menambah jumlah BTS. Hingga 1H18, total BTS mencapai 111.786 unit, meningkat 20% y-y. Mengacu pada penelitian yang dilakukan oleh OpenSignal di 6 kota besar (Jakarta, Bandung, Semarang, Surabaya, Medan, dan Makassar), dari segi kecepatan pengunduhan, pengunggahan, dan keterlambatan (*latency*), **performa XL di bawah kompetitornya**, yaitu Telkomsel dan Smartfren. Meskipun **strategi EXCL menysar target di luar Jawa**, hasil penelitian ini dapat merugikan XL dalam hal persaingan data karena segmen Data pada 1H18 berkontribusi 63% (vs. 53% pada 1H17) terhadap total pendapatan EXCL.

#### Target Harga Rp3.930

Kami menggunakan estimasi *forward* EV/EBITDA sebesar 6,0x (0,2 SD di bawah rata-rata 3 tahun sebesar 6,2x) sebagai basis untuk memperoleh target harga Desember 2019. Target harga ini mengimplikasikan EV/EBITDA 2018E sebesar 6,5x. Saat ini, EXCL diperdagangkan pada EV/EBITDA 2018/E sebesar 5,2x.

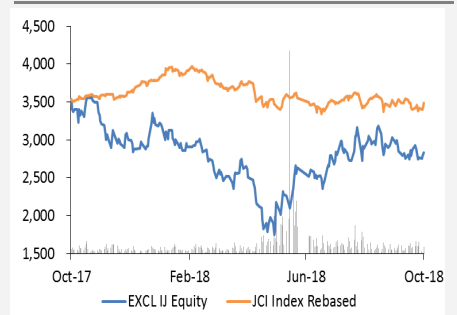
#### XL Axiata Tbk | Summary (IDR bn)

	2017	2018E	2019E	2020E
Sales	22,876	23,026	24,587	26,167
<i>Sales growth</i>	7.2%	0.7%	6.8%	6.4%
EBITDA	8,177	8,741	9,072	9,833
Net Profit	375	152	255	460
EPS (IDR)	35	14	24	43
<i>EPS growth</i>	-0.1%	-59.4%	67.3%	80.5%
BVPS (IDR)	2,024	2,038	2,062	2,105
EBITDA margin	35.7%	38.0%	36.9%	37.6%
NPM	1.6%	0.7%	1.0%	1.8%
ROE	1.8%	0.7%	1.2%	2.1%
ROA	0.7%	0.3%	0.4%	0.8%
ROIC	5.1%	3.1%	2.4%	2.8%
P/E	84.3x	198.8x	118.8x	65.8x
P/BV	1.5x	1.4x	1.4x	1.3x
EV/EBITDA	5.9x	5.4x	5.2x	4.8x
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

#### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-4.4%	-4.7%	3.7%	-17.7%
Rel. Ret.	3.3%	-5.5%	3.5%	-17.3%

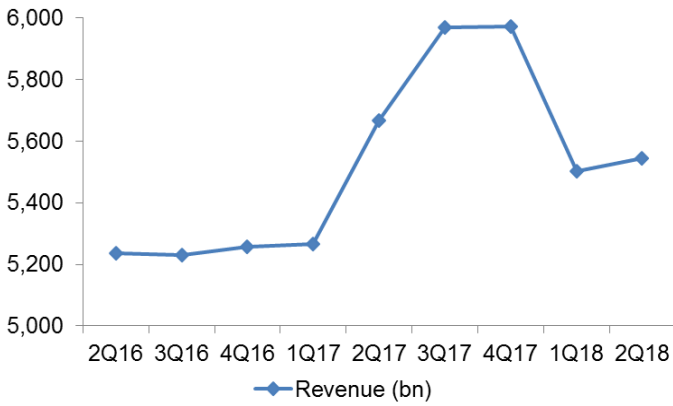
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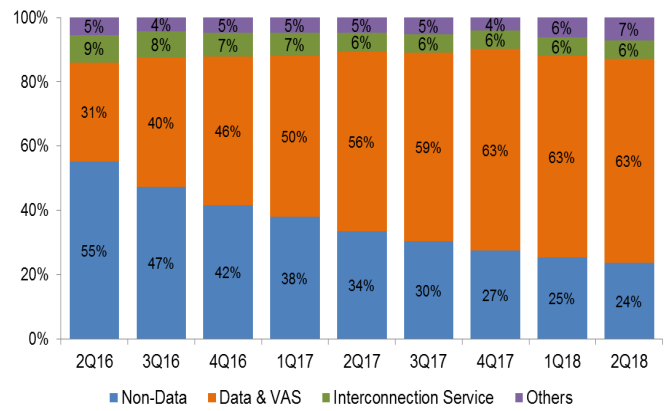
## Performance Highlights

**EXCL Sales Growth (q-q) | 2Q16 - 2Q18**



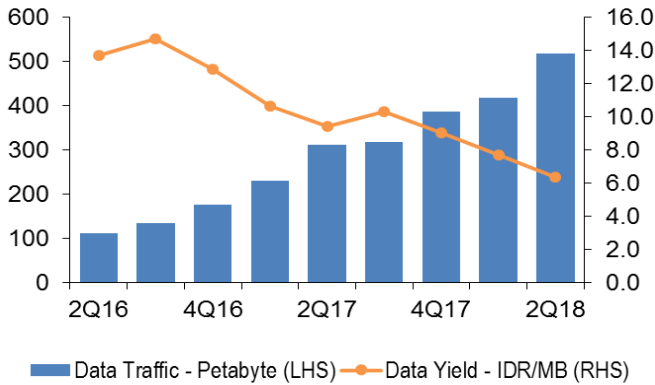
Source: Company, NHKS Research

**Sales Breakdown | 2Q16 - 2Q18**



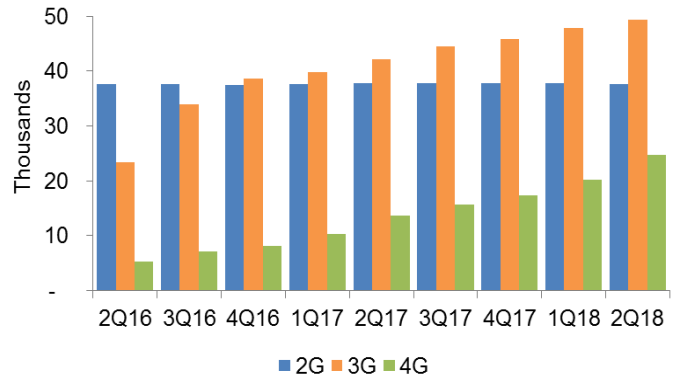
Source: Company, NHKS Research

**Data Traffic and Yield | 2Q16 - 2Q18**



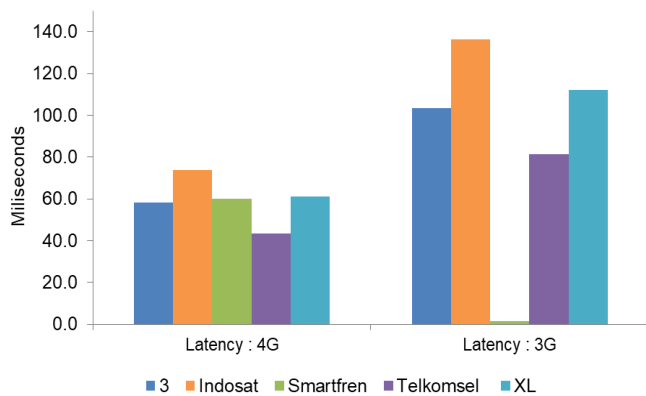
Source: Company, NHKS Research

**BTS Quantity | 2Q16 - 2Q18**



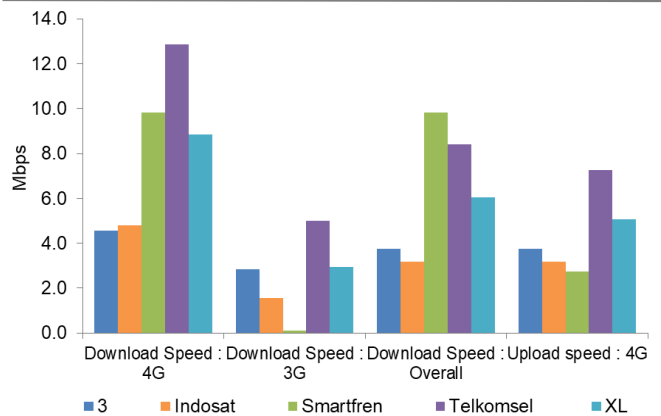
Source: Company, NHKS Research

**Operator Data Performance in Latency | Feb – April 18**



Source: Open Signal, NHKS Research

**Operator Performance in Speed | Feb – April 18**



Source: Open Signal, NHKS Research

## 2Q18 review (IDR bn)

	2Q17	3Q17	4Q17	1Q18	2Q18			3Q18E
					Actual	y-y	q-q	
Sales	5,668	5,970	5,972	5,501	5,545	-2.2%	0.8%	5,827
Gross Profit	2,917	3,126	3,298	2,932	2,948	1.1%	0.6%	3,186
<i>Gross Margin</i>	51.5%	52.4%	55.2%	53.3%	53.2%	1.7%	-0.1%	54.7%
EBIT	390	441	225	170	235	-39.6%	38.8%	395
<i>EBIT Margin</i>	6.9%	7.4%	3.8%	3.1%	4.2%	-2.6%	1.2%	6.8%
EBITDA	2,092	2,146	2,091	2,018	2,089	-0.1%	3.5%	2,257
<i>EBIT Margin</i>	36.9%	35.9%	35.0%	36.7%	37.7%	0.8%	1.0%	38.7%
<b>Net Profit</b>	97	95	137	15	-97	-200.6%	-729.7%	63
<i>Net Margin</i>	1.7%	1.6%	2.3%	0.3%	-1.8%	-3.5%	-2.0%	1.1%

Source: Bloomberg, NHKS research

## Earnings revision (IDR bn)

		2018E	2019F	2020F
Sales	-Revised	23,026	24,587	26,167
	-Previous	24,568	26,420	27,327
	-Change	-6.3%	-6.9%	-4.2%
EBIT	-Revised	1,314	1,331	1,592
	-Previous	1,427	1,705	1,832
	-Change	-8.0%	-21.9%	-13.1%
EBIT Margin	-Revised	5.7%	5.4%	6.1%
	-Previous	5.8%	6.5%	6.7%
EBITDA	-Revised	8,741	9,072	9,833
	-Previous	9,052	9,863	10,254
	-Change	-3.4%	-8.0%	-4.1%
EBITDA Margin	-Revised	38.0%	36.9%	37.6%
	-Previous	36.8%	37.3%	37.5%
<b>Net Profit</b>	<b>-Revised</b>	152	255	460
	-Previous	423	442	489
	-Change	-64.1%	-42.4%	-6.0%
Net Margin	-Revised	0.7%	1.0%	1.8%
	-Previous	1.7%	1.7%	1.8%

Source: NHKS research

## Sekilas tentang EXCL

Didirikan pada 1989, PT XL Axiata Tbk adalah perusahaan penyedia jasa, jaringan telekomunikasi, dan multimedia. Pada 2005, PT XL Axiata Tbk mendaftarkan sahamnya di Bursa Efek Indonesia dengan kode EXCL. Saat ini mayoritas saham EXCL (66,4%) dimiliki oleh Axiata Group Berhad melalui Axiata Investment (Indonesia) Sdn. Bhd dan sisanya (33,6%) dipegang oleh publik. Pada 2013, EXCL mengakuisisi *PT AXIS Telekom Indonesia (AXIS)* serta menjalankan strategi *dual-brand* dengan target segmen yang berbeda, yaitu XL untuk pelanggan *white collar* dan *blue collar* serta AXIS untuk generasi muda. Mengikuti perkembangan zaman, saat ini EXCL mengarahkan bisnisnya sebagai penyedia jasa telekomunikasi berbasis digital, yang bertumpu pada pendapatan data. Hal ini sejalan dengan visi perusahaan sebagai penyedia data koneksi data yang paling dipilih sebelum 2020. Hingga 1H18, EXCL telah hadir di 380 kota di seluruh pelosok Indonesia, melayani 52,9 juta pelanggan, dan berencana mengembangkan sayap di luar Jawa dengan menganggarkan *capex* sebesar 7 triliun rupiah pada 2018.

### Daya Saing EXCL di Asia Tenggara

Hasil survei "We are Social" pada Januari 2018 melaporkan bahwa penetrasi pengguna internet di Indonesia baru sebesar 50% dari total penduduk. Sementara itu, ditinjau dari durasi akses internet per orang per hari, Indonesia menduduki urutan ke-3 di ASEAN dengan rata-rata durasi akses internet selama 8 jam 23 menit, lebih sedikit dibandingkan negara ASEAN lainnya, seperti Thailand (9 jam 38 menit), dan Filipina (9 jam 29 menit).

Fakta ini memberi industri telekomunikasi ruang pertumbuhan lebih besar, terutama dalam hal penyediaan data dan layanan internet. EXCL sebagai satu dari 3 operator telekomunikasi terbesar di Indonesia memiliki EV/EBITDA sebesar 5,0x, yang masih tergolong murah dibandingkan operator Singapura dan Malaysia. Selain itu, EXCL juga mempunyai dukungan yang kuat dari Grup Axiata, operator telekomunikasi dengan *market cap.* terbesar ke-2 di Malaysia.

### ASEAN Telecommunication Operators

Company	Market Cap (USD mn)	Asset (USD mn)	Sales LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM	Net Margin	ROE LTM	EV/EBITDA LTM	P/BV
<b>Indonesia</b>									
TLKM	25,129	14,607	9,457	1,378	-12.96%	14.6%	22.1%	7.0x	4.4x
EXCL	2,014	4,145	1,691	11	-48.83%	0.7%	0.7%	5.0x	1.4x
ISAT	952	3,728	1,903	(25)	N/A	-1.3%	-2.6%	3.6x	1.1x
<b>Singapore</b>									
Singtel	37,395	36,821	12,994	4,018	41.94%	30.9%	18.19%	8.3x	1.7x
<b>Malaysia</b>									
Maxis	10,293	4,740	2,173	519	1.59%	23.9%	30.56%	11.4x	6.0x
DiGi.Com	8,348	1,436	1,612	378	2.13%	23.4%	255.67%	11.7x	51.6x
Axiata Group	8,516	17,214	5,913	(796)	N/A	-13.5%	-14.17%	9.5x	1.8x
<b>Thailand</b>									
Advanced Info Service	17,992	8,721	5,025	963	11.85%	19.2%	62.13%	8.7x	10.5x
True Corp	6,253	14,286	5,193	443	N/A	8.5%	10.61%	4.4x	1.4x
Total Access Comm.	3,255	3,515	2,352	34	-30.44%	1.5%	9.05%	3.3x	3.5x
<b>Phillipine</b>									
PLDT	5,550	9,190	3,173	168	-64.20%	5.3%	7.42%	6.5x	2.7x
Globe Telecom	5,060	5,556	2,781	333	13.99%	12.0%	25.65%	5.4x	4.2x

Source: Bloomberg

## Multiple Valuation

Forward EV/EBITDA band | Last 3 years



Source: NHKS research

Dynamic Forward EV/EBITDA band | Last 3 years



Source: NHKS research

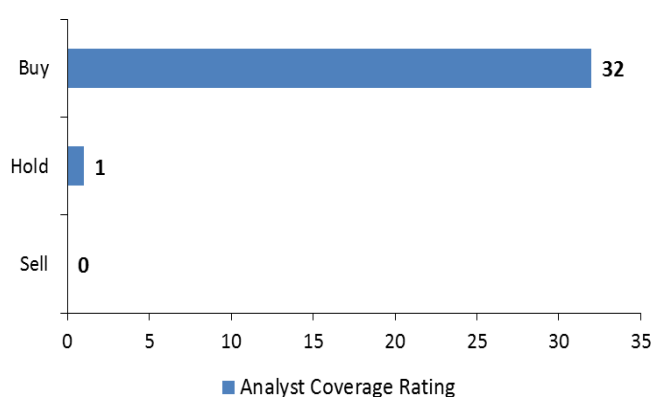
## Rating and Target Price Update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
01/23/2018	Buy	4,400 (Dec 2018)	3,220	4,011	36.6%	9.7%
02/14/2018	Buy	3,800 (Dec 2018)	2,860	4,062	32.9%	-6.5%
10/17/2018	Buy	3,930 (Dec 2019)	2,830	3,707	38.9%	6.0%

Source: NHKS research, Bloomberg

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

### INCOME STATEMENT

(IDR bn)	2017/12A	2018/12E	2019/12E	2020/12E
<b>Sales</b>	<b>22,876</b>	<b>23,026</b>	<b>24,587</b>	<b>26,167</b>
<i>Growth</i>	7.2%	0.7%	6.8%	6.4%
Operating Expenses	(21,650)	(21,712)	(23,256)	(24,575)
<b>EBIT</b>	<b>1,226</b>	<b>1,314</b>	<b>1,331</b>	<b>1,592</b>
<i>EBIT Margin</i>	5.4%	5.7%	5.4%	6.1%
Depreciation	6,951	7,427	7,741	8,241
<b>EBITDA</b>	<b>8,177</b>	<b>8,741</b>	<b>9,072</b>	<b>9,833</b>
<i>EBITDA Margin</i>	35.7%	38.0%	36.9%	37.6%
Interest Expenses	(1,539)	(1,650)	(1,532)	(1,530)
<b>EBT</b>	<b>221</b>	<b>157</b>	<b>339</b>	<b>613</b>
Income Tax	154	(5)	(85)	(153)
Minority Interest	-	-	-	-
<b>Net Profit</b>	<b>375</b>	<b>152</b>	<b>255</b>	<b>460</b>
<i>Growth</i>	-0.1%	-59.4%	67.3%	80.5%
<i>Net Profit Margin</i>	1.6%	0.7%	1.0%	1.8%

### PROFITABILITY & STABILITY

	2017/12A	2018/12E	2019/12E	2020/12E
ROE	1.8%	0.7%	1.2%	2.1%
ROA	0.7%	0.3%	0.4%	0.8%
ROIC	5.1%	3.1%	2.4%	2.8%
Cash Dividend (IDR bn)	-	-	-	-
Dividend Yield	-	-	-	-
Payout Ratio	-	-	-	-
DER	89.7%	90.0%	89.0%	88.0%
Net Gearing	204.7%	203.7%	198.5%	191.5%
LT Debt to Equity	89.7%	90.0%	89.0%	88.0%
Capitalization Ratio	47.3%	47.4%	47.1%	46.8%
Equity Ratio	38.4%	38.0%	38.5%	38.9%
Debt Ratio	34.4%	34.2%	34.3%	34.2%
Financial Leverage	259.6%	261.7%	261.4%	258.4%
Current Ratio	47.2%	51.8%	52.4%	55.5%
Par Value (IDR)	100	100	100	100
Total Shares (mn)	10,688	10,688	10,688	10,688
Share Price (IDR)	2,960	2,830	2,830	2,830
Market Cap (IDR tn)	31.6	30.2	30.2	30.2

### BALANCE SHEET

(IDR bn)	2017/12A	2018/12E	2019/12E	2020/12E
Cash	2,455	2,334	2,475	2,575
Receivables	565	949	610	1,111
Inventories	143	152	160	156
<b>Total Current Assets</b>	<b>7,181</b>	<b>7,836</b>	<b>7,716</b>	<b>8,228</b>
Net Fixed Assets	34,934	35,023	35,336	35,645
Other Non Current Assets	8,292	8,651	8,623	8,536
<b>Total Assets</b>	<b>56,321</b>	<b>57,277</b>	<b>57,255</b>	<b>57,813</b>
Payables	7,476	6,989	7,233	7,111
ST Bank Loan	-	-	-	-
LT Debt	19,398	19,605	19,614	19,798
<b>Total Liabilities</b>	<b>34,691</b>	<b>35,494</b>	<b>35,217</b>	<b>35,316</b>
Capital Stock	1,069	1,069	1,069	1,069
Retained Earnings	8,405	8,557	8,812	9,272
<b>Shareholders' Equity</b>	<b>21,631</b>	<b>21,783</b>	<b>22,038</b>	<b>22,497</b>

### VALUATION INDEX

	2017/12A	2018/12E	2019/12E	2020/12E
Price /Earnings	84.3x	198.8x	118.8x	65.8x
Price /Book Value	1.5x	1.4x	1.4x	1.3x
Price/Sales	1.4x	1.3x	1.2x	1.2x
PE/EPS Growth	-1163.9x	-3.3x	1.8x	0.8x
EV/EBITDA	5.9x	5.4x	5.2x	4.8x
EV/EBIT	39.6x	36.2x	35.6x	29.8x
EV (IDR bn)	48,579	47,518	47,386	47,470
Sales CAGR (3-Yr)	-0.8%	0.2%	4.8%	4.6%
EPS CAGR (3-Yr)	-172.0%	-268.7%	-12.2%	7.0%
Basic EPS (IDR)	35	14	24	43
Diluted EPS (IDR)	35	14	24	43
BVPS (IDR)	2,024	2,038	2,062	2,105
Sales PS (IDR)	2,140	2,154	2,300	2,448
DPS (IDR)	-	-	-	-

### CASH FLOW STATEMENT

(IDR bn)	2017/12A	2018/12E	2019/12E	2020/12E
Operating Cash Flow	8,523	7,123	8,108	8,140
Investing Cash Flow	(8,690)	(7,452)	(7,976)	(8,223)
Financing Cash Flow	1,049	207	9	184
<b>Net Changes in Cash</b>	<b>883</b>	<b>(122)</b>	<b>141</b>	<b>101</b>

### OWNERSHIP

By Geography	% Shareholders	%
Malaysia	84.8 Axiata Investment Ltd	66.4
United States	9.2 Brandes Investment	2.2
Luxembourg	2.1 Sun Life Financial Inc	1.8
Hong Kong	1.3 Vanguard Group	1.1

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