

XL Axiata Tbk (EXCL)

Accelerated Performance in 1Q20 as Expected

EXCL recorded positive performance in 1Q20, where the increase of data usage demands was still the main contributor to its income growth. On the other hand, the sale and leaseback of towers in the first quarter have shot up the net profit of the company to IDR1.5 trillion. We estimate the FY20 income to reach IDR27.3 trillion. Based on that assumption, we recommend BUY with target price of IDR3,350, equivalent to EV/EBITDA of 5.4x.

1Q20 Performance. EXCL (The company) recorded income growth for 1Q20 of 8.9% (YoY) to IDR5.6 trillion, with the biggest contribution still supported by the increase of data usage demands. The data usage demands grew 18.3% YoY and contributes 80.1% to the company's income growth. During the first quarter, the company was able to reduce costs to IDR4.3 trillion (23.1% YoY) and added with the recorded sales and leaseback of towers in the first quarter amounting to IDR1.6 trillion, making the company's net profit jumped to IDR1.5 trillion.

Network Expansion still a Mainstay. So far, the company is still continuing its network expansion plan by budgeting a capital expenditure of IDR7.5 trillion this year. Most of the expenditure will be used to expand the network infrastructure reach outside the Java island by adding 4G network in 2000 locations and continuing fiber network in 300 cities. With the rising demand of data usage as large scale social restriction policy continues to the second quarter, we estimate that the company's revenue in the second quarter of this year to continue growing. Therefore, we are optimistic that the company's revenue will grow by 8.6% YoY this year.

Number of Customers and ARPU Blended Increasing YoY. The company booked an increase in number of customers and Average Revenue per User (ARPU) in 1Q20 to be 55.49 million people (0.8% YoY) and IDR36,000 (9.1% YoY). Reflected by the increase in company traffic data in 1Q20 by 41%.

Fairly Traded, EV/EBITDA EXCL on level -1 SD. In 1Q20, the company has owned a total of 133,536 operating Base Transceiver Station (BTS), growing 9.3% YoY. We are optimistic that the company will record a revenue growth in 2020 with estimates of IDR27.3 trillion. Currently, EXCL is traded with EV/EBITDA of 4.9x, which is quite cheap compared to its 3 years average EV/EBITDA of 6.2x. Therefore, we recommend BUY with the target price of IDR3,350, or equal to 5.4x EV/EBITDA FY20.

XL Axiata Tbk | Summary (IDR bn)

	2018	2019	2020 F	2021 F
Revenue	22,939	25,133	27,283	28,613
Revenue growth	0.3%	9.6%	8.6%	4.9%
EBITDA	8,584	9,702	12,056	12,207
Net profit	(3,297)	713	1,510	1,535
EPS (IDR)	(308)	67	141	143
BVPS (IDR)	1,716	1,786	1,930	2,074
EBITDA margin	37.4%	38.6%	44.2%	42.7%
NPM	-14.4%	2.8%	5.5%	5.4%
ROE	-18.0%	3.7%	7.3%	6.9%
ROA	-5.7%	1.1%	2.3%	2.2%
DER	1.3x	1.4x	1.5x	1.5x
P/BV	1.7x	2.0x	1.7x	1.6x
EV/EBITDA	6.3x	6.5x	5.4x	5.5x
DPS (IDR)	-	-	-	-
Dividend yield	0.0%	0.0%	0.0%	0.0%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

NH Korindo Sekuritas Indonesia



Company Report | July 3, 2020

Buy

Dec 2020 TP (IDR)	3,350
Consensus Price (IDR)	3,395
TP to Consensus Price	-1.3%
vs. Last Price	+23.2%

Shares data

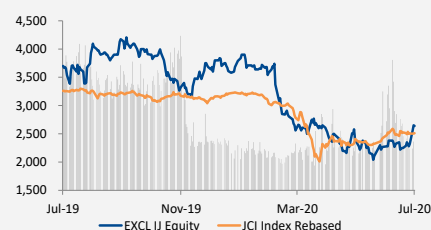
Last Price (IDR)	2,720
Price date as of	July 02, 2020
52 wk range (Hi/Lo)	3,730 / 1,315
Free float	33.8%
Outstanding sh.(mn)	10,076
Market Cap (IDR bn)	29,120
Market Cap (USD mn)	2,016
Avg. Trd Vol - 3M (mn)	16.6
Avg. Trd Val - 3M (bn)	40.8
Foreign Ownership	99.1%

Infrastructure

Telecommunication

Bloomberg	EXCL IJ
Reuters	EXCL.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret	-13.3%	6.2%	33.2%	-8.7%
Rel. Ret	8.7%	4.9%	24.7%	14.3%

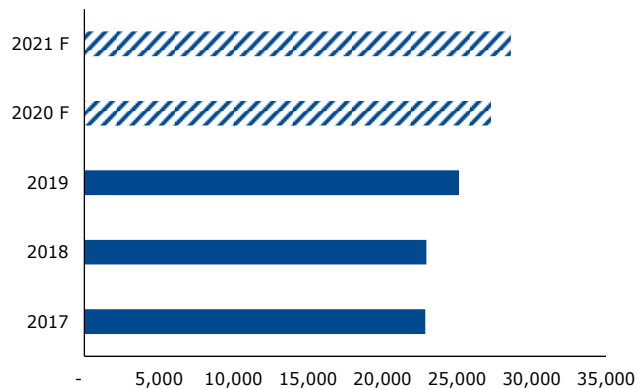
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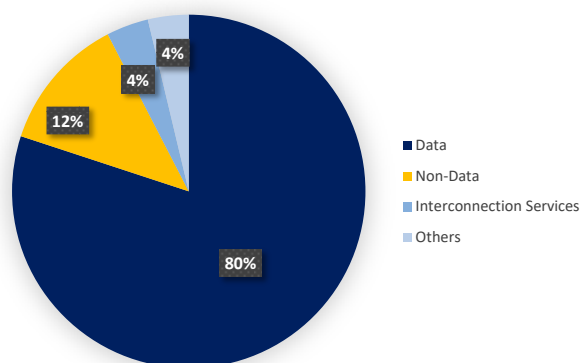
Performance Highlights

Revenue Projections



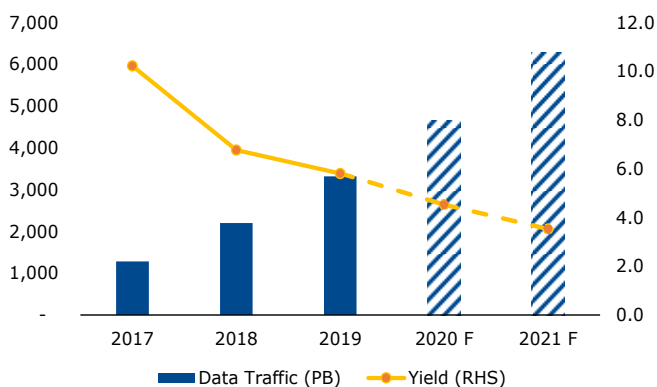
Source: Company, NHKSI Research

Revenue Contributions 1Q20



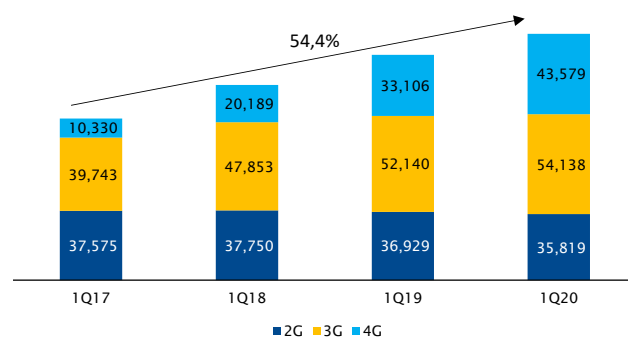
Source: Company, NHKSI Research

Data Traffic (PB) and Yield (IDR/MB)



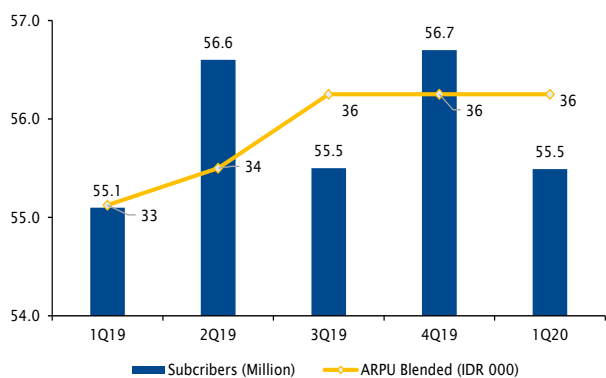
Source: Company, NHKSI Research

BTS Quantity



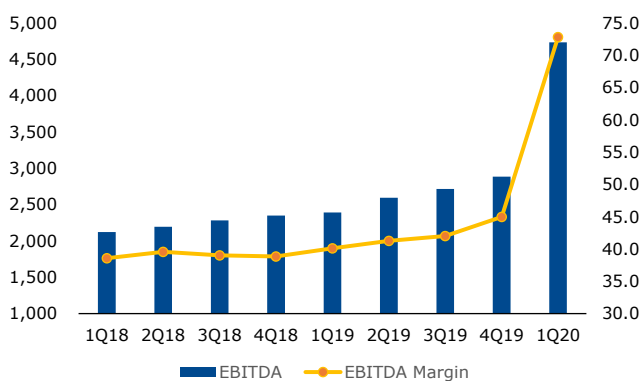
Source: Company, NHKSI Research

Subscribers and ARPU Blended



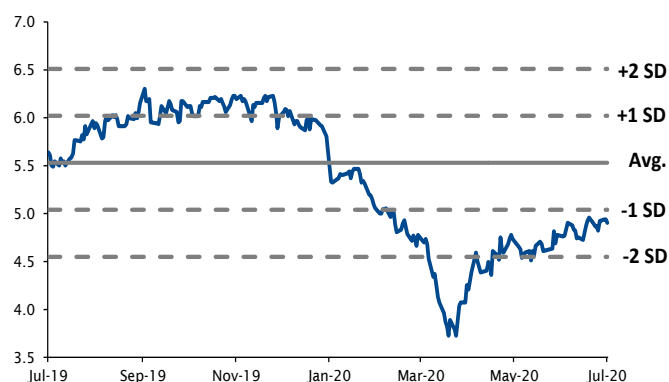
Source: Company, NHKSI Research

EBITDA Margin



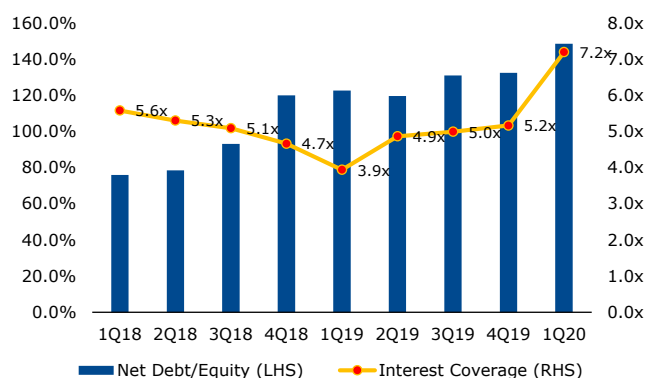
Source: Bloomberg, Company, NHKSI Research

Forward EV/EBITDA Trade in -1SD



Source: NHKSI research

Leverage



Source: Bloomberg, Company, NHKSI Research

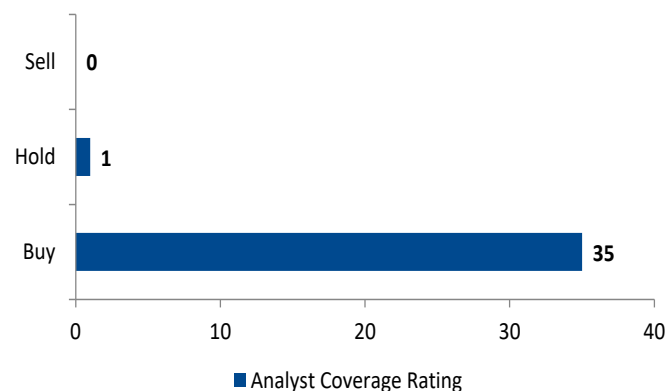
Rating and Target Price Update

Target Price

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
07/03/2020	Buy	3,350 (Dec 2020)	2,720	3,395	+23.2%	-1.3%

Source: NHKSI research, Bloomberg

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKSI research

NH Korindo Sekuritas Indonesia (NHKSI) 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%

Financial Summary

INCOME STATEMENT

(IDR bn)	2018/12	2019/12	2020/12E	2021/12F
Revenue	22,939	25,133	27,283	28,613
Growth	0.3%	9.6%	8.6%	4.9%
COGS	-	-	-	-
Gross Profit	22,939	25,133	27,283	28,613
Operating Expenses	(25,710)	(21,858)	(22,357)	(24,371)
Operating Profit	(2,771)	3,274	4,926	4,242
OP Margin	-12.1%	13.0%	18.1%	14.8%
Financial Cost	(1,746)	(2,243)	(2,389)	(2,558)
Finance Income	487	111	208	363
EBIT	(4,396)	1,144	2,745	2,047
EBIT Margin	-19.2%	4.6%	10.1%	7.2%
Income Tax	1,099	(432)	(1,235)	(512)
EAT	(3,297)	713	1,510	1,535
Non Controlling Interest	-	-	-	-
Net Profit	(3,297)	713	1,510	1,535
Growth	N/A	N/A	111.9%	1.7%
Net Profit Margin	-14.4%	2.8%	5.5%	5.4%

BALANCE SHEET

(IDR bn)	2018/12	2019/12	2020/12E	2021/12F
Cash	1,047	1,603	1,826	2,457
Receivables	569	663	701	743
Inventories	189	75	131	135
Total Current Assets	7,059	7,146	7,450	8,136
Net Fixed Assets	36,760	42,082	44,993	48,620
Other Non Current Asset	13,796	13,498	13,809	14,137
Total Assets	57,614	62,725	66,252	70,893
Trade Payables	9,106	8,042	8,226	8,967
Lease Liabilities	1,249	1,997	2,200	1,683
LT Loan	8,043	4,267	4,400	4,712
Total Liabilities	39,271	43,603	45,587	48,692
Capital Stock	1,069	1,069	1,069	1,069
Retained Earnings	5,125	5,851	7,394	8,930
Shareholders' Equity	18,343	19,122	20,666	22,201

CASH FLOW STATEMENT

(IDR bn)	2018/12	2019/12	2020/12E	2021/12F
Operating Cash Flow	8,629	8,983	9,419	10,214
Investing Cash Flow	(12,474)	(11,386)	(10,287)	(11,854)
Financing Cash Flow	2,437	3,741	1,091	2,270
Net Changes in Cash	(1,408)	1,338	223	631

PROFITABILITY & STABILITY

	2018/12	2019/12	2020/12E	2021/12F
ROE	-18.0%	3.7%	7.3%	6.9%
ROA	-5.7%	1.1%	2.3%	2.2%
Cash Dividend (IDR bn)	-	-	-	-
Dividend Yield	0.0%	0.0%	0.0%	0.0%
Payout Ratio	-	-	-	-
DAR	0.4x	0.4x	0.5x	0.5x
DER	1.3x	1.4x	1.5x	1.5x
LT Debt to Equity	43.8%	22.3%	21.3%	21.2%
Equity Ratio	31.8%	30.5%	31.2%	31.3%
Debt Ratio	40.0%	42.9%	47.4%	47.5%
Current Ratio	0.4x	0.3x	0.3x	0.3x
Quick Ratio	0.4x	0.3x	0.3x	0.3x
Cash Ratio	0.1x	0.1x	0.1x	0.1x
Par Value (IDR)	100	100	100	100
Total Shares (mn)	10,688	10,706	10,706	10,706
Share Price (IDR)	2,960	3,150	3,350	3,350
Market Cap (IDR tn)	31.6	33.7	35.9	35.9

VALUATION INDEX

	2018/12	2019/12	2020/12E	2021/12F
Price/Earnings	-9.6x	47.3x	23.8x	23.4x
Price/Book Value	1.7x	1.8x	1.7x	1.6x
Price/Sales	1.4x	1.3x	1.3x	1.3x
PE/EPS Growth	N/A	N/A	0.2x	13.9x
EV/EBITDA	6.3x	6.5x	5.4x	5.5x
EV/Sales	2.3x	2.5x	2.4x	2.3x
EV (IDR bn)	53,660	62,797	65,469	67,067
Sales CAGR (3-Yr)	0.1%	5.6%	6.0%	7.6%
EPS CAGR (3-Yr)	370.2%	23.7%	59.0%	-177.5%
Basic EPS (IDR)	(308)	67	141	143
Diluted EPS (IDR)	(308)	67	141	143
BVPS (IDR)	1,716	1,786	1,930	2,074
Sales PS (IDR)	2,146	2,348	2,548	2,673
DPS (IDR)	-	-	-	-

OWNERSHIP

By Geography	% Shareholders	%
Malaysia	86.9	Axiata Investment 66.3
United States	6.7	Norges Bank 1.5
Norway	2.0	Vanguard Group Inc 1.2
Luxembourg	1.4	Dimensional Fund 1.1

Source: Company Data, NHKSI Research

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