

XL Axiata Tbk (EXCL)

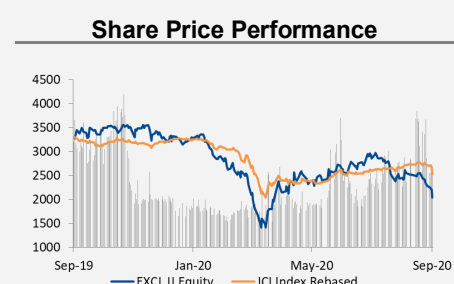
PSBB Positively Impacting Data Segment

BUY

Target Price (IDR)	3,350
Consensus Price (IDR)	3,455
TP to Consensus Price	-3.0%
vs. Last Price	+64.2%

Shares data	
Last Price (IDR)	2,040
Price date as of	Sept. 10, 2020
52 wk range (Hi/Low)	3,730 / 1,315
Free float	33.6%
Outstanding sh.(mn)	10,706
Market Cap (IDR bn)	23,018
Market Cap (USD mn)	1,540
Avg. Trd Vol - 3M (mn)	17.3
Avg. Trd Val - 3M (bn)	43.9
Foreign Ownership	99.1%

Infrastructure	
Telecommunication	
Bloomberg	EXCL IJ
Reuters	EXCL.JK



	YTD	1M	3M	12M
Abs. Ret	-35.2%	-16.7%	-22.7%	-37.8%
Rel. Ret	-12.9%	-11.6%	-22.1%	-15.0%

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EXCL booked growth in data segment by 16.5% YoY. The segment manages to jump significantly due to PSBB that forces people to do more activities from home, such as: school from home or work from home. Besides, we see that the data segment will still potentially grow until the end of 2020, as demand and need for data traffic continues to rise. The company has also increased cooperation with OTT service providers to increase the network of XL Home users.

1H20 Performance Satisfactory, Data Segment Surged 16,5% YoY. The company recorded excellent performance during the first semester of 2020, with income of IDR13.1 trillion (+6.7% YoY; 1.4% QoQ). We see that the income is supported by higher revenues from the data segment amounting to IDR10.6 trillion with a contribution of 81.3% and growth of 16.5%. Moreover, the company also reduced general administrative expenses to IDR171 billion (-43.7% YoY; -11.9% QoQ) so revenue from the sale and leaseback of towers that reached IDR1.8 trillion (+778.2% YoY) up to the end of June, which increased the company's net income to IDR1.7 trillion (+517.4% YoY).

Data Segment Potentially Growing until 2H20. EXCL's data segment booked significant growth during PSBB and is the largest contributor to its revenue. We see that there is still room for growth in the data segment up to 2H20, as the government still implements the work and school from home. Besides, the policy by DKI Jakarta's Governor to re-tighten the PSBB will bring positive sentiment for the company. In addition to that, EXCL plans to increase cooperation with OTT service providers such as Netflix, Vidio, Genflix, Viu, Youtube, etc. This will increase the subscriber network to access broadband service from XL Home. Thus, we are optimistic that the company's data income will grow 5.6% 2H20E with target revenue in FY20E of IDR27.3 trillion (+8.6% YoY).

Maintain BUY rating with Target Price IDR3,350. We maintain BUY rating with target price of IDR3,350 for the next 12 months reflecting the EV / EBITDA value of 5.5x. We are optimistic that the company's performance will grow until the end of 2020, driven by demand and the need for data traffic that will continue to increase until 2H20, considering the continuous PSBB implementation. Currently, EXCL is traded at the EV / EBITDA level of 3.8x.

XL Axiata Tbk | Summary (IDR bn)

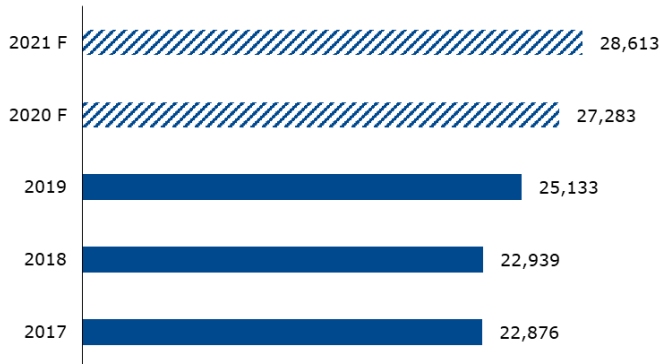
	2018	2019	2020 F	2021 F
Revenue	22,939	25,133	27,283	28,613
<i>Revenue growth</i>	0.3%	9.6%	8.6%	4.9%
EBITDA	8,584	9,702	12,056	12,207
Net profit	(3,297)	713	1,510	1,535
EPS (IDR)	(308)	67	141	143
BVPS (IDR)	1,716	1,786	1,930	2,074
EBITDA margin	37.4%	38.6%	44.2%	42.7%
NPM	-14.4%	2.8%	5.5%	5.4%
ROE	-18.0%	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	1.8x	1.7x	1.6x
EV/EBITDA	6.3x	6.5x	5.4x	5.5x
DPS (IDR)	-	-	-	-
<i>Dividend yield</i>	0.0%	0.0%	0.0%	0.0%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

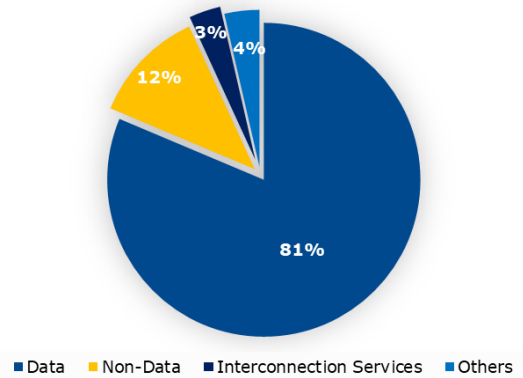
Performance Highlights

Revenue Projections



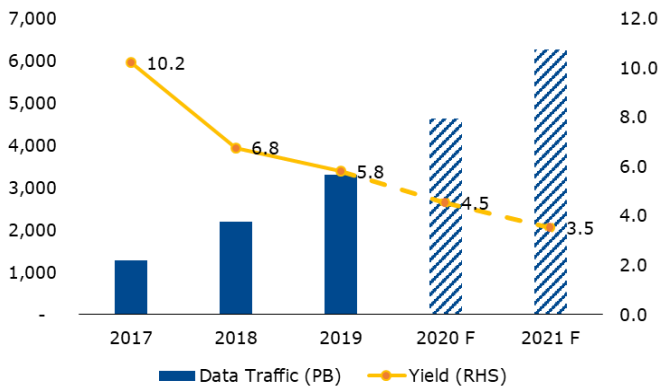
Source: Company, NHKSI Research

Revenue Contributions 1Q20



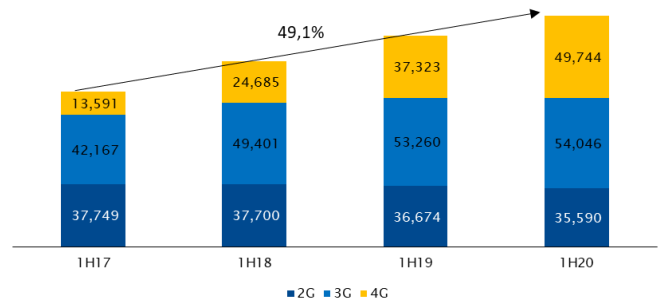
Source: Company, NHKSI Research

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



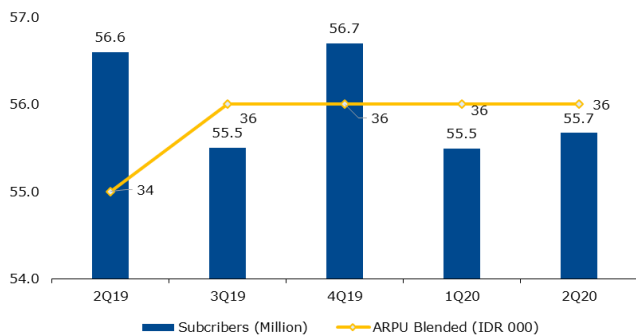
Source: Company, NHKSI Research

BTS Quantity



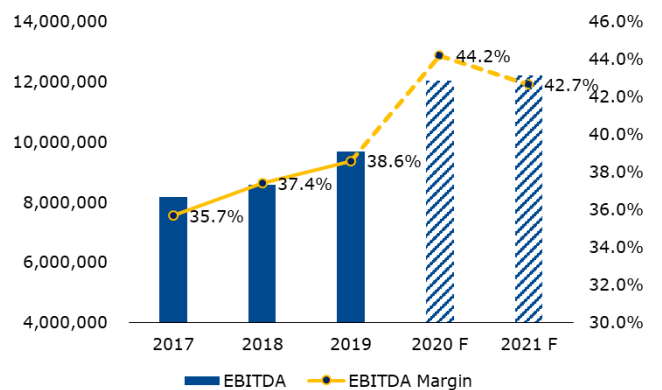
Source: Company, NHKSI Research

Subscribers and ARPU Blended



Source: Company, NHKSI Research

EBITDA Margin



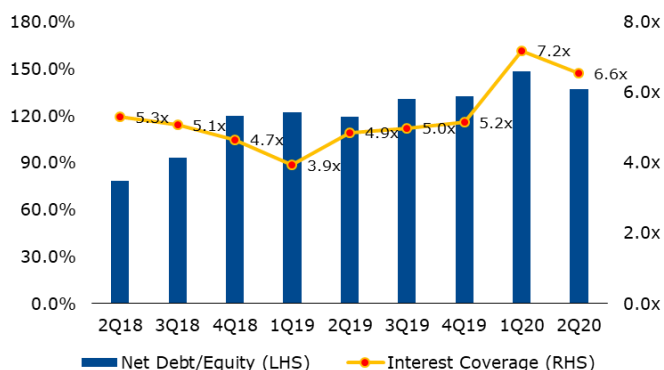
Source: Bloomberg, Company, NHKSI Research

Forward EV/EBITDA Trade in -1SD



Source: NHKSI Research

Leverage



Source: Bloomberg, Company, NHKSI Research

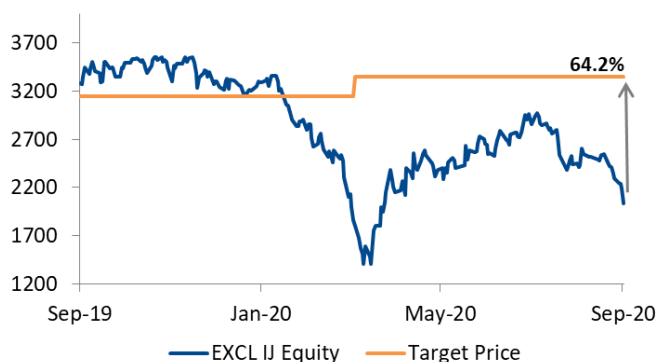
Rating and Target Price Update

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%
09/11/2020	Buy	3,350 (12 Month)	2,040	3,455	+64.2%	-3.0%

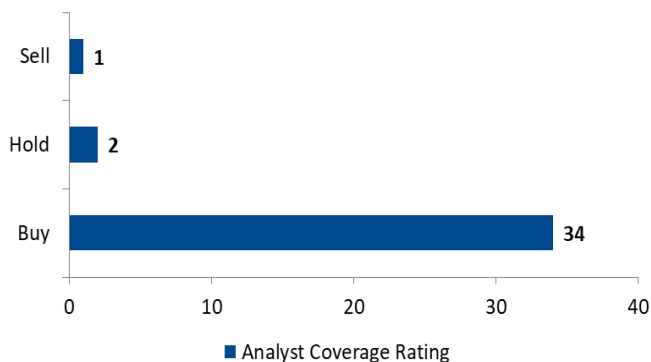
Source: NHKSI Research, Bloomberg

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 Assets	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

Source: Company Data, NHKSI Research

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	87.5	Axiata Investment 66.3
United States	5.7	Norges Bank 1.5
Norway	2.0	Vanguard Group Inc 1.2
Luxembourg	1.2	Dimensional Fund 1.1

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