XL Axiata Tbk (EXCL)
Top & Bottom Line Growth in 3Q20

NH KORINDO SEKURITAS

Company Report | November 19, 2020

EXCL booked excellent performance in 3Q/20 by recording growth in quarterly income and net profit by 1.7% YoY and 53.5% YoY. The growth in top and bottom line was supported by data segment that increased 7.6% YoY to IDR5.4 trillion in July-September 2020. With the implementation of IFRS 16, the company also managed to decrease cost by 3.2% YoY.

Parallel Growth in Top and Bottom Line. The company's income in Q3/2020 grew 1.7% YoY to IDR6.6 trillion vs IDR6.5 trillion in Q3/19. Growth was supported by consistent increase in data segment by 7.6% YoY to IDR5.4 trillion during July-September vs IDR5.1 trillion in the same period in 2019. EXCL managed to increase cost efficiency, as costs during Q3/20 was suppressed by 3.2% YoY, 2.9% QoQ. The efficiency came from the infrastructure cost segment that was down to IDR1.9 trillion (-21.5% YoY, -8.2% QoQ) due to IFRS 16 implementation. This resulted in the company's net profit to jump 53.5% YoY, 48.1% QoQ to IDR331.4 billion vs IDR216.0 billion in Q3/19.

Subscribers and Traffic Data Increases in Line with Our Expectation. The company booked an increase in subscribers until the end of the third quarter of 2020 by 2.6% YoY, 0.3% YtD to 56.9 million subscribers. Data traffic also increased by the end of September to 3,496 petabyte vs 2,386 petabyte in Q3/10 or increased by 46.5% YoY due to the subsidizing of internet data for teachers and students. We see that by taking advantage of the momentum amid PSBB implementation in some areas, the company can still increase growth of data traffic and subscribers.

Capex Absorption Reaches 72.4% of Estimation. The company has absorbed capital expenditure of IDR5.1 trillion or reaching 72.4% of our Q3/2020 estimation. We forecast that the capex absorption of the company to be IDR7.0 trillion until the end of 2020. We see that most of the capex were allocated to add BTS for 4G network. Until Q3/20, EXCL booked a 35.0% YoY, 31.8% YtD growth of BTS for 4G network to 53,055 BTS. With the surge in demand for data traffic, we assess that the addition of BTS in the 4G network will continue.

Maintain BUY with Target Price IDR3,350. We maintain our BUY rating with target price of IDR3,350 for the next 12 months, reflecting EV/EBITDA value at 5.3x. Solid top and bottom line performance in Q3/2020 keeps us optimistic that until the end of 2020, the company will still continue to book growth especially in the data segment. Currently, EXCL by the EV/EBITDA valuation, is traded at 4.0x with a 5-year average at 5.4x.

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	1,629	1,855
EPS (IDR)	N/A	67	152	173
BVPS (IDR)	1,716	1,786	1,941	2,115
EBITDA margin	37.4%	38.6%	44.2%	42.7%
NPM	-14.4%	2.8%	6.0%	6.5%
ROE	-18.0%	3.7%	7.8%	8.2%
ROA	-5.7%	1.1%	2.5%	2.6%
DER	1.3x	1.4x	1.5x	1.4x
P/BV	1.7x	1.8x	1.7x	1.6x
EV/EBITDA	6.3x	6.5x	5.3x	5.3x
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

BUY

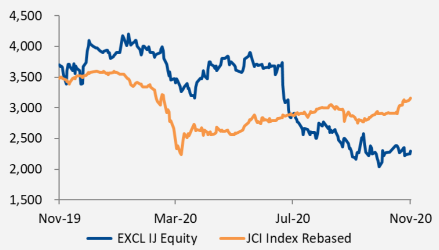
Target Price (IDR)	**3,350**
Consensus Price (IDR)	3,390
TP to Consensus Price	-1.2%
vs. Last Price	+45.7%

Shares data	
Last Price (IDR)	2,300
Price date as of	Nov. 18, 2020
52 wk range (Hi/Lo)	3,590 / 1,315
Free float	33.6%
Outstanding sh.(mn)	10,706
Market Cap (IDR bn)	24,624
Market Cap (USD mn)	1,745
Avg. Trd Vol - 3M (mn)	24.7
Avg. Trd Val - 3M (bn)	54.4
Foreign Ownership	99.1%

Infrastructure
Telecommunication

Bloomberg	**EXCL IJ**
Reuters	**EXCL.JK**

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret	-27.0%	8.0%	-8.7%	-33.9%
Rel. Ret	-15.2%	-0.4%	-13.7%	-24.7%

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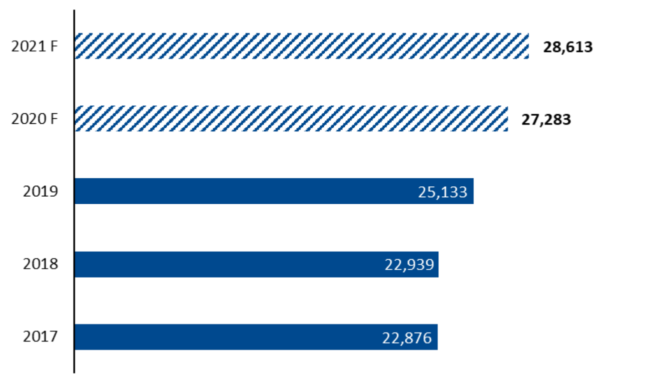
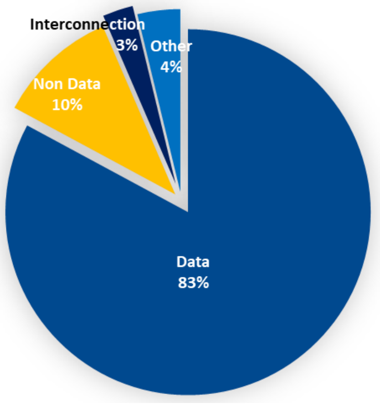
Performance Highlights

Revenue Projections



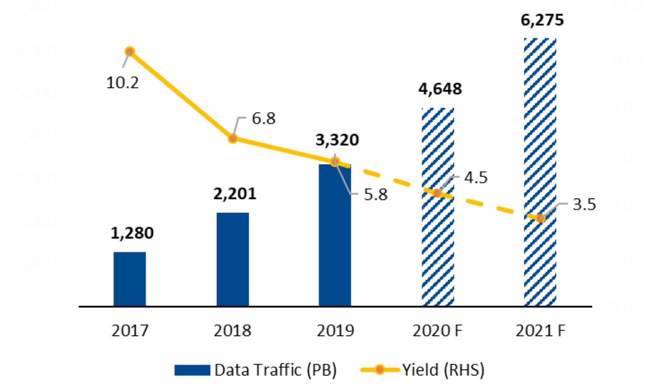
Source: Company, NHKSI Research

Revenue Contributions 3Q20



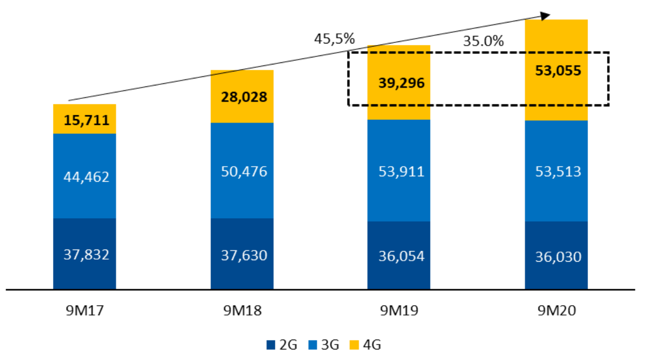
Source: Company, NHKSI Research

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



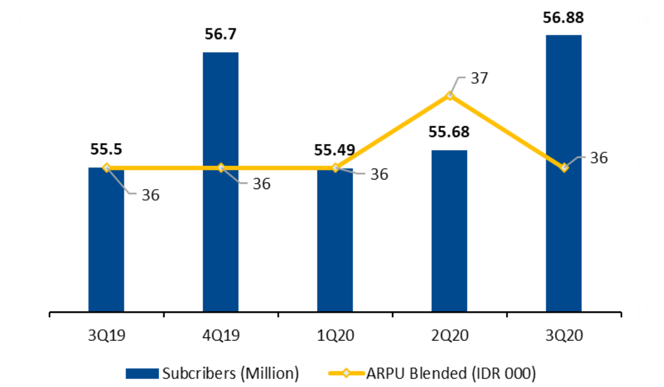
Source: Company, NHKSI Research

BTS Quantity



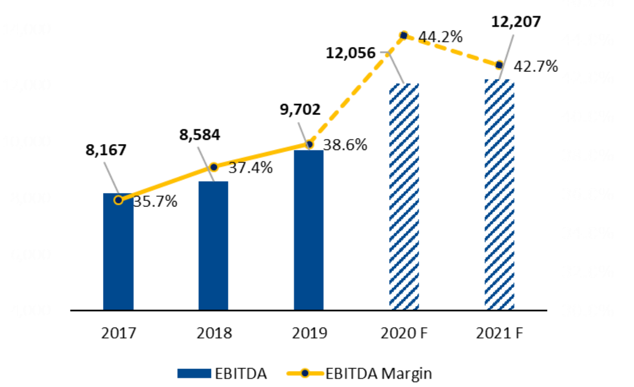
Source: Company, NHKSI Research

Subscribers and ARPU Blended



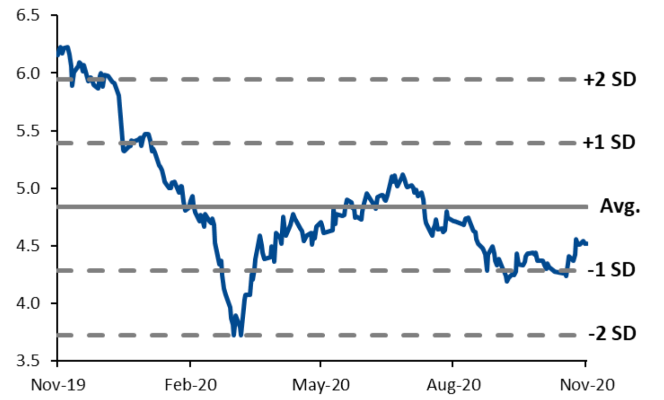
Source: Company, NHKSI Research

EBITDA Margin (bn)



Source: Bloomberg, Company, NHKSI Research

Forward EV/EBITDA Trade in –1SD



Source: Bloomberg, NHKSI Research

EXCL vs JAKINF

Source: Bloomberg, NHKSI Research

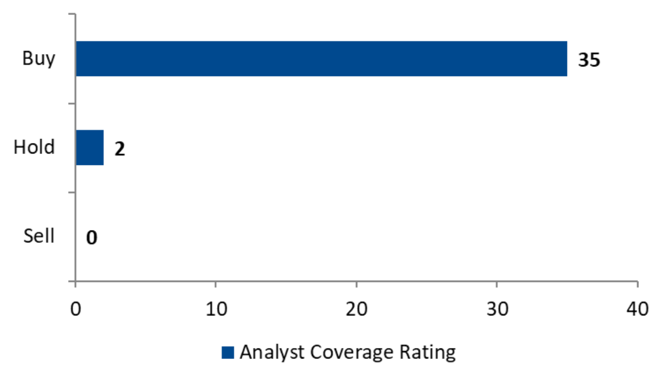
Rating and Target Price Update

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%
11/16/2020	Buy	3,350 (12 Month)	2,300	3,390	+45.7%	-1.2%

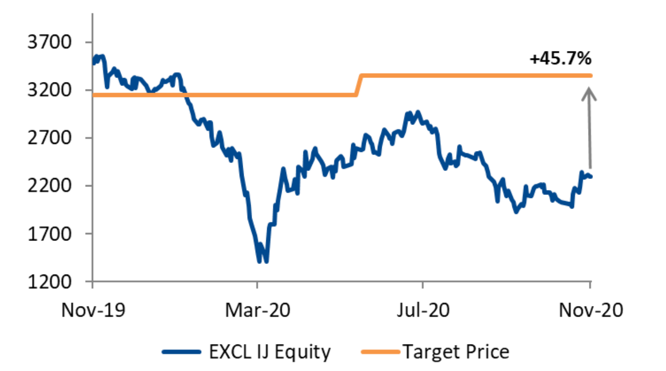
Source: NHKSI Research, Bloomberg

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKSI Research

Summary of Financials

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)	(22,224)	(24,209)
Operating Profit	**(2,771)**	**3,274**	**5,059**	**4,404**
OP Margin	*N/A*	*13.0%*	*18.5%*	*15.4%*
Financial Cost	(1,746)	(2,243)	(2,306)	(2,464)
Finance Income	487	111	208	533
EBIT	**(4,396)**	**1,144**	**2,961**	**2,473**
EBIT Margin	*N/A*	4.6%	10.9%	8.6%
Income Tax	1,099	(432)	(1,333)	(618)
EAT	**(3,297)**	**713**	**1,629**	**1,855**
Non Controlling Interest	-	-	-	-
Net Profit	(3,297)	713	1,629	1,855
Growth	**N/A**	**N/A**	**128.6%**	**13.9%**
Net Profit Margin	*-14.4%*	*2.8%*	*6.0%*	*6.5%*

PROFITABILITY & STABILITY

	2018/12	2019/12	2020/12E	2021/12F
ROE	N/A	3.7%	7.8%	8.2%
ROA	N/A	1.1%	2.5%	2.6%
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	1.4x
LT Debt to Equity	43.8%	22.3%	20.4%	20.0%
Equity Ratio	31.8%	30.5%	31.8%	32.3%
Debt Ratio	40.0%	42.9%	46.4%	46.2%
Current Ratio	0.4x	0.3x	0.4x	0.4x
Quick Ratio	0.4x	0.3x	0.4x	0.4x
Cash Ratio	0.1x	0.1x	0.1x	0.2x
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

BALANCE SHEET

(IDR bn)	2018/12	2019/12	2020/12E	2021/12F
Cash	1,047	1,603	2,682	3,713
Receivables	569	663	701	743
Inventories	189	75	130	134
Total Current Assets	**7,059**	**7,146**	**8,306**	**9,391**
Net Fixed Assets	36,760	42,082	43,232	46,627
Other Non Current Asset:	13,796	13,498	13,809	14,137
Total Assets	**57,614**	**62,725**	**65,346**	**70,155**
Trade Payables	9,106	8,042	8,177	8,907
Lease Liabilities	1,249	1,997	2,124	1,621
LT Loan	8,043	4,267	4,247	4,539
Total Liabilities	**39,271**	**43,603**	**44,562**	**47,515**
Capital Stock	1,069	1,069	1,069	1,069
Retained Earnings	5,125	5,851	7,513	9,369
Shareholders' Equity	**18,343**	**19,122**	**20,785**	**22,640**

VALUATION INDEX

	2018/12	2019/12	2020/12E	2021/12F
Price/Earnings	N/A	47.3x	22.0x	19.3x
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	1.4x
EV/EBITDA	6.3x	6.5x	5.3x	5.3x
EV/Sales	2.3x	2.5x	2.3x	2.3x
EV (IDR bn)	53,660	62,797	63,521	64,575
Sales CAGR (3-Yr)	0.1%	5.6%	6.0%	7.6%
EPS CAGR (3-Yr)	370.2%	23.7%	63.0%	-182.5%
Basic EPS (IDR)	N/A	67	152	173
Diluted EPS (IDR)	N/A	67	152	173
BVPS (IDR)	1,716	1,786	1,941	2,115
Sales PS (IDR)	2,146	2,348	2,548	2,673
DPS (IDR)	-	-	-	-

CASH FLOW STATEMENT

(IDR bn)	2018/12	2019/12	2020/12E	2021/12F
Operating Cash Flow	8,629	8,983	9,356	10,361
Investing Cash Flow	(12,474)	(11,386)	(8,393)	(11,460)
Financing Cash Flow	2,437	3,741	115	2,129
Net Changes in Cash	**(1,408)**	**1,338**	**1,079**	**1,031**

Source: Company Data, NHKSI Research

OWNERSHIP

By Geography	%	Shareholders	%
Malaysia	87.6	Axiata Investment	66.3
United States	5.5	Norges Bank	1.5
Norway	2.0	Vanguard Group Inc	1.2
Luxembourg	1.2	Brandes Investment	1.1

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
   - Buy : Greater than +15%
   - Overweight : +5% to +15%
   - Hold : -5% to +5%
   - Underweight : -5% to -15%
   - Sell : Less than -15%

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