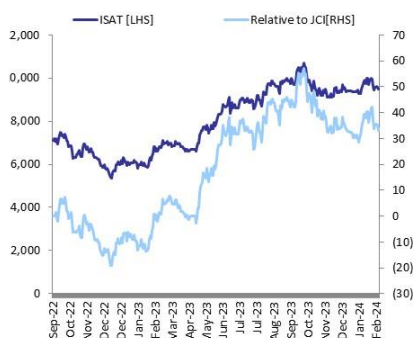


# Buy

(Maintained)

Last Price (Rp)	9,500
Target Price (Rp)	13,300
Previous Target Price (Rp)	11,100
Upside/Downside	+40.0%
No. of Shares (mn)	8,063
Mkt Cap (Rpbn/US\$mn)	76,596/4,899
Avg, Daily T/O (Rpbn/US\$mn)	33.4/2.1
Free Float (%)	16.2
Major Shareholder (%)	
Ooredoo Asia Pte. Ltd.	65.6
PPA Investasi Efek	9.6
EPS Consensus (Rp)	
	2024F 2025F 2026F
BRIDS	658.1 795.6 919.0
Consensus	603.0 737.0 730.7
BRIDS/Cons (%)	9.1 7.9 25.8

## ISAT relative to JCI Index



Source: Bloomberg

## BRI Danareksa Sekuritas Analysts

Niko Margaronis

(62-21) 5091 4100 ext. 3512

niko.margaronis@brids.co.id

# Indosat Ooredoo Hutchison (ISAT II)

4Q23/FY23 earnings beat offers a credible prospect of further growth outperformance in FY24

- IOH fully absorbed its FY23 capex budget in 4Q23 signaling its growth commitments, hence its guidance for further outperformance in FY24F.
- IOH subs offer significant ARPU upside to over Rp40k in FY24F and onwards, hence the 50% EBITDA margin guidance should be attainable.
- We include the Home BB Internet take-up, raise our FY24-25F earnings by 23%/19%, raise our TP to Rp13,300 (implying 6.1x EV/EBITDA); reiterate Buy rating on strong fundamentals and the growth outlook.

## Sustainable mobile expansion capitalizing on its financial strength.

IOH absorbed the remaining 39% of its FY23 capex guidance (~Rp13tr), reflecting its *continued upgrading/expansion in ex-Java pockets, with the management indicating a trend of net adds in subs*. IOH's FY24 budgeted capex of Rp12tr will be mainly allocated for rural expansion doubling-down in ex-Java. We see this as a **credible market move** as the capex rollouts are supported by the set-up of ~400 selling points deep in the rural areas, replacing the wholesalers. **This is also financially backed by** robust oFCF generation and still lower ND /EBITDA.

## Baking-in IOH's home-internet with significant cashflow upside.

IOH's home internet revenue springboarded (+28%qoq) on the 330k subs acquired from MNC. IOH reiterated its target to achieve 8-10% home internet share by FY26 (we include the impact of 48% 3-yr cagr on Rp1.2tr of annual FY23 revenues), upselling on IOH's 98.8mn mobile subs. We estimate that FY24F revenues growth of 8.5%yoy is attainable (above the industry's ~5%) supported by the 4G rural expansion as well as fixed BB internet sales.

## Inroads to a FY24F 50% EBITDA margin on distinct monetization catalysts.

We expect two drivers will bake into FY24F and drive margin expansion: **1) more OPEX improvements**: i) though the 4Q23 marketing OPEX climbed to 4.6% of revenue in correlation with the 4Q23 capex spending weighing on the 4Q23 EBITDA margin (-60bps qoq), it will be contained at 3% of revenue, ii) more merger synergies (estimate of Rp1tr, based on 20% upside on the US\$380mn of FY23 synergies), **2) further monetization of the subs base, hence supporting the runway to Rp40k ARPU** through: i) further reduction of rotational subs, ii) data usage uptake in rural areas, iii) data pricing upside.

## Reiterate Buy rating as game changing dynamics justify a further rerating.

We raise our FY24-25F estimates by 23/19% post the FY23 net profit beat (108% of our FY23 est.) to account for lower financial leases, while we also see a better growth trajectory extending to FY26. We reiterate our Buy rating, with a higher TP of Rp13,300 (implying 6.1x EV/EBITDA).

## Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Revenue (Rpbn)	46,752	51,229	55,576	60,813	66,434
EBITDA (Rpbn)	19,469	23,938	27,101	29,900	32,641
EBITDA Growth (%)	40.2	23.0	13.2	10.3	9.2
Net Profit (Rpbn)	4,723	4,739	5,306	6,415	7,410
EPS (Rp)	585.8	587.7	658.1	795.6	919.0
EPS Growth (%)	(30.0)	0.3	12.0	20.9	15.5
BVPS (Rp)	3,515.3	3,813.4	4,250.6	4,717.2	5,079.3
DPS (Rp)	255.7	220.8	329.1	556.9	643.3
PER (x)	16.2	16.2	14.4	11.9	10.3
PBV (x)	2.7	2.5	2.2	2.0	1.9
Dividend yield (%)	2.7	2.3	3.5	5.9	6.8
EV/EBITDA	6.4	5.2	4.6	4.2	3.8

Source: ISAT, BRIDS Estimates

See important disclosure at the back of this report

## 4Q23 / FY23A financial results takeaways

**4Q23/ FY23 earnings beat, driven by convincing financials and operational performance.**

**4Q23 earnings: beat from strong traffic and better ARPU (+5.3%qoq cellular revenue) and strong MIDI revenue (+28%qoq) reflecting the acquisition of 330k subs on 15 Nov 2023.**

- IOH's 4Q23 revenue reached Rp13.8tr (+7.7%qoq, +12.6%yoy) depicting very strong growth at the end of the year supported by traffic growth and better ARPU (Rp38.5k, +8.8%qoq) on flattish subs, as well as strong revenue in MIDI revenues, springboarded with the acquisition of MNC home internet subs. We identify positive monetization trends with IOH data yield quarterly improvements.
- The 4Q23 EBITDA margin was lower by 60bps qoq, we think as expected given the strong capex absorption in 4Q.
- The 4Q23 adj. net profit was Rp1.35tr (+42.9%qoq, +60.9%yoy). Interest costs were down on the quarter. Net debt trended down from Rp11.8tr to Rp9.6tr in FY23. Net debt/EBITDA declined from 0.61x in FY22 to 0.4x in FY23 reflecting strong cash flows generated from operations as well as cash realized from the sale of non-core assets to partners.
- IOH advised that through its partnerships, it will be able to scale up its home broadband and enterprise business further by growing adjacent revenues in AI, cloud security and platform plays.
- The management pointed to the realized synergies of US\$380mn in FY23 in the two years since its merger, expecting ~20% more upside to be realized in FY24F.

### FY23 earnings beat vs. our estimate/ higher end of the consensus

- IOH's FY23 revenue of Rp51.2tr (+9.6%yoy) improved YTD from 8.5% growth in 9M23. This is inline with our estimate & broadly in line with the consensus towards the higher end of the range.
- The FY23 EBITDA of Rp23.94tr is inline with our estimate & broadly inline with the consensus.
- IOH's FY23 adj. net profit of Rp3.56tr is broadly inline with the consensus towards the higher end of the range and above our forecast (thanks to lower interest costs).

## Exhibit 1. IOH 4Q/FY23 financial results

Rp bn	4Q22	3Q23	4Q23	QoQ, %	YoY, %	FY22	FY23A	YoY, %	A	
									/BRIDS, %	A/C, %
<b>Total revenue</b>	<b>12,222</b>	<b>12,788</b>	<b>13,766</b>	<b>7.7</b>	<b>12.6</b>	<b>46,753</b>	<b>51,229</b>	<b>9.6</b>	<b>100.9</b>	<b>101.5</b>
Net Cellular revenue	10,400	10,996	11,576	5.3	11.3	40,243	43,750	8.7		
Multimedia, Data, Internet (MIDI)	1,630	1,509	1,935	28.2	18.7	5,726	6,473	13.0		
Fixed telecommunications	192	283	255	(9.7)	33.0	784	1,006	28.3		
<b>Total operating expense</b>	<b>(9,530)</b>	<b>(10,487)</b>	<b>(10,405)</b>	<b>(0.8)</b>	<b>9.2</b>	<b>(36,161)</b>	<b>(40,801)</b>	<b>12.8</b>		
<b>Cash Costs</b>	<b>(6,839)</b>	<b>(6,704)</b>	<b>(7,295)</b>	<b>8.8</b>	<b>6.7</b>	<b>(27,284)</b>	<b>(27,291)</b>	<b>0.0</b>		
Cost of services	(5,102)	(5,183)	(5,429)	4.7	6.4	(21,149)	(21,085)	(0.3)		
<b>Gross profit</b>	<b>7,120</b>	<b>7,604</b>	<b>8,337</b>	<b>9.6</b>	<b>17.1</b>	<b>25,604</b>	<b>30,144</b>	<b>17.7</b>		
<b>Gross margin</b>	<b>58.3</b>	<b>59.5</b>	<b>60.6</b>	<b>0.7</b>	<b>2.3</b>	<b>54.8</b>	<b>58.8</b>	<b>4.1</b>		
<b>OPEX</b>										
Depreciation & amortization	(3,686)	(3,690)	(3,690)	(0.0)	0.1	(13,703)	(14,621)	6.7		
Personnel cost	(923)	(841)	(968)	15.0	4.8	(3,782)	(3,695)	(2.3)		
Marketing	(433)	(456)	(633)	38.8	46.4	(1,397)	(1,677)	20.0		
G&A	(382)	(223)	(265)	18.8	(30.6)	(955)	(835)	(12.6)		
Other income (expense)	995	(93)	580	n/a	(41.8)	4,825	1,111	(77.0)		
<b>EBITDA</b>	<b>5,383</b>	<b>6,084</b>	<b>6,471</b>	<b>6.4</b>	<b>20.2</b>	<b>19,469</b>	<b>23,938</b>	<b>23.0</b>	<b>100.3</b>	<b>101.9</b>
<b>EBITDA margin (%)</b>	<b>44.0</b>	<b>47.6</b>	<b>47.0</b>	<b>(0.6)</b>	<b>3.0</b>	<b>41.6</b>	<b>46.7</b>	<b>5.1</b>		
<b>EBIT</b>	<b>1,696</b>	<b>2,394</b>	<b>2,781</b>	<b>16.2</b>	<b>64.0</b>	<b>5,766</b>	<b>9,317</b>	<b>61.6</b>	<b>103.6</b>	<b>108.6</b>
<b>EBIT margin (%)</b>	<b>13.9</b>	<b>18.7</b>	<b>20.2</b>	<b>1.5</b>	<b>6.3</b>	<b>12.3</b>	<b>18.2</b>	<b>5.9</b>		
<b>Total other income (expenses)</b>	<b>(933)</b>	<b>(1,119)</b>	<b>(1,032)</b>	<b>(7.8)</b>	<b>10.5</b>	<b>(4,055)</b>	<b>(4,496)</b>	<b>10.9</b>		
Finance cost	(1,059)	(1,196)	(1,095)	(8.5)	3.4	(4,345)	(4,725)	8.7		
Interest income	59	74	66	(10.3)	13.0	118	331	181.4		
Forex gain (loss)	67	3	(3)	n/a	(105)	172	(103)	n/a		
<b>Pre-tax profit / (loss)</b>	<b>1,759</b>	<b>1,182</b>	<b>2,329</b>	<b>97.1</b>	<b>32.5</b>	<b>6,537</b>	<b>5,932</b>	<b>(9.3)</b>		
Tax benefit (expense)	(429)	(240)	(540)	125.1	25.6	(1,166)	(1,156)	(0.8)		
Minority interest	(293)	(63)	(70)	11.2	(75.9)	(647)	(269)	(58.4)		
<b>Reported Net profit / (loss)</b>	<b>1,037</b>	<b>879</b>	<b>1,719</b>	<b>95.7</b>	<b>65.9</b>	<b>4,724</b>	<b>4,506</b>	<b>n/a</b>	<b>117.8</b>	<b>123.3</b>
<b>Normalized Net profit / (loss)</b>	<b>837</b>	<b>942</b>	<b>1,346</b>	<b>42.9</b>	<b>60.9</b>	<b>1,459</b>	<b>3,561</b>	<b>144.1</b>	<b>108.4</b>	<b>102.2</b>
<b>Normalized Net margin (%)</b>	<b>6.8</b>	<b>7.4</b>	<b>9.8</b>	<b>2.4</b>	<b>2.9</b>	<b>3.1</b>	<b>7.0</b>	<b>4.3</b>		

Source: Company, BRIDS Estimates

## Exhibit 2. IOH 4Q/FY23 OPEX analysis

OPEX as % revenue	4Q22	3Q23	4Q23	FY22	FY23
Cash costs	-56.0%	-52.4%	-53.0%	-58.4%	-53.3%
Cost of services	-41.7%	-40.5%	-39.4%	-45.2%	-41.2%
Depreciation & amortization	-30.2%	-28.9%	-26.8%	-29.3%	-28.5%
Personnel	-7.6%	-6.6%	-7.0%	-8.1%	-7.2%
Marketing	-3.5%	-3.6%	-4.6%	-3.0%	-3.3%
G&A	-3.1%	-1.7%	-1.9%	-2.0%	-1.6%

Source: Company

Exhibit 3. IOH 4Q/FY23 balance sheet items

Rp bn	4Q22	3Q23	4Q23	FY22	FY23A	YoY, %
<b>Book Capex</b>	<b>5,007</b>	<b>3,472</b>	<b>5,010</b>	<b>12,010</b>	<b>12,783</b>	<b>6.4</b>
Capex/sales (intensity) (%)	41.0	27.2	36.4	25.7	25.0	(0.7)
CF from Operating activities	2,270	6,130	3,068	15,677	17,680	12.8
CF from Investing activities	(104)	(3,252)	(4,397)	(4,012)	(10,771)	n/a
FCF	2,166	2,878	(1,329)	11,664	6,909	(40.8)
<b>oFCF (EBITDA - Book CAPEX)</b>	<b>376</b>	<b>2,612</b>	<b>1,461</b>	<b>7,459</b>	<b>11,155</b>	<b>49.5</b>
CF from Financing activities	2,682	(1,431)	(280)	(6,155)	(11,111)	80.5
Total interest bearing debt	21,323	14,983	14,803	21,323	14,803	(30.6)
Cash & equivalents	9,508	6,803	5,190	9,508	5,190	(45.4)
Net debt (excl. financial lease)	11,815	8,180	9,613	11,815	9,613	(18.6)
Financial leases	34,690	38,449	39,089	34,690	39,089	12.7
Net debt	46,505	46,629	48,703	46,505	48,703	4.7
Equity	28,343	28,160	30,746	28,343	30,746	8.5
Net debt /LTM EBITDA (x)	0.61	0.36	0.40	0.61	0.40	(0.21)
Net debt/equity (%)	0.42	0.29	0.31	0.42	0.31	(0.10)

Source: Company

Exhibit 4. IOH 4Q/FY23 operational KPIs

Key Operating Data	4Q22	3Q23	4Q23	QoQ, %	YoY, %	FY22	FY23	YoY, %
<b>Customers - total (mn)</b>	<b>102.2</b>	<b>99.4</b>	<b>98.8</b>	<b>(0.6)</b>	<b>(3.3)</b>	<b>102.2</b>	<b>98.8</b>	<b>(3.3)</b>
Customers - postpaid (mn)	1.6	1.6	1.6	0.0	0.0	1.6	1.6	0.0
Customers - prepaid (mn)	100.6	97.8	97.2	(0.6)	(3.4)	100.6	97.2	(3.4)
4G data users	75.2	75.1	76.2	1.5	1.3	75.2	76.2	1.3
Smartphone users (mn)	86.9	88.5	88.9	0.5	2.4	86.9	88.9	2.4
Smartphone penetration	85%	89%	90%	1.0	5.0	85%	90%	5.0
<b>Data traffic (Petabytes)</b>	<b>3,460</b>	<b>3,505</b>	<b>3,716</b>	<b>6.0</b>	<b>7.4</b>	<b>12,561</b>	<b>14,417</b>	<b>14.8</b>
Effective Data Tariff (Rp '000/gb)	2.6	2.7	2.8	2.5	6.6	2.7	2.7	(0.3)
Average data usage (in gb)*	13.3	13.2	13.9	5.5	4.9	13.1	13.5	3.5
<b>Legacy metrics</b>								
MoU	9.1	7.0	6.9	(1.4)	(24.2)	11.0	7.3	(14.6)
SMS total traffic	0.6	1.0	0.6	(40.0)	0.0	2.8	3.3	17.9
<b>ARPU (blended) (Rp thousand)</b>	<b>33.9</b>	<b>35.4</b>	<b>38.5</b>	<b>8.8</b>	<b>13.6</b>	<b>33.9</b>	<b>35.6</b>	<b>5.0</b>
ARPU (prepaid) (Rp thousand)	33.3	34.7	37.8	8.9	13.5	33.3	35.0	5.1
<b>Network BTS (# '000)</b>								
2G	40.0	49.2	50.0	1.6	25.0	40.0	50.0	25.0
3G	3.0	0.0	0.0	n/a	(100.0)	3.0	0.0	(100.0)
4G	137.0	172.1	179.0	4.0	30.7	137.0	179.0	30.7
5G	0.1	0.1	0.1	0.0	0.0	0.1	0.1	n/a
<b>Total BTS</b>	<b>180.0</b>	<b>221.4</b>	<b>229.1</b>	<b>3.5</b>	<b>27.3</b>	<b>180.1</b>	<b>229.1</b>	<b>27.2</b>

Source: Company, BRIDS Estimates

## IOH 4Q23 Earnings Call takeaways

**FY24 guidance: Sector Outperform guidance on 2 revenue drivers, namely rural market expansion and Home Internet take-up.**

- IOH provided guidance for FY24 above-market growth. We forecast 8.5%yoy (vs. the industry's potential for 5%yoy), supported by rural market expansion and home internet take-up.
- IOH expects the EBITDA margin to rise closer to 50% as the merger has given IOH scale network in rural areas along with all the capex and marketing investments on sales and delivery points to serve rural customers. The margin improvement will be supported by a mix of both opportunities in merger synergies (US\$380mn in 2023A expecting at least +15 - 20% more upside incl.IT initiatives, 90-95% to be realized by the end of 2024).
- The 50% margin guidance also bakes in the fixed broadband expansion although it comes with a lower margin profile. However, IOH home broadband is now ready to scale up.
- The CAPEX budget of Rp12tr (accounting for 22% of its FY24 sales, down from 25%) should support growth in rural areas.

**Small drop in the 4Q23 EBITDA margin. However, guidance is for the EBITDA margin target to approach 50% in FY24.**

### **Key reasons for the softer 4Q23 EBITDA margin**

- The 28% revenue growth from MIDI and fixed home internet has a lower margin of ~25% which dented the 4Q23 EBITDA margin. However, home internet is expected to incur no capex.
- IOH also spent the most in 4Q from the seasonality perspective incl. marketing expenses.
- Thirdly, there was around a Rp130bn one-off accrual reversal reflected in 3Q23.

**4Q23 marketing expenses were up +39%qoq due to seasonality**

IOH's marketing cost climbed to 4.6% of the revenue. IOH has put more resources into the rural areas and added many new service distribution points and kiosks throughout these areas in order to strengthen its distribution network. IOH rolled out around 400 new retail stores in rural areas in 3Q and 4Q23. This initiative involves branding and setting up manpower there to cater to those areas for basic customer service, such as SIM replacement deep in the rural areas at the village level.

IOH expects to increase the ARPU in digital services, through educating the customer how to use Internet and use of apps.

IOH's direct distribution bypasses wholesalers, significantly reducing the pricing for end users (Balikpapan customers can now avoid 15-20% mark ups). Additionally, it helps IOH to reduce subscribers' shoeleather cost thanks to the increase in the distribution footprint.

**IOH reiterated its commitment to grow its ARPU to Rp40k by 2Q24.**

- The key driver for the ARPU growth in 4Q23 was the ARPU derived from customer acquisitions from Rp16k, now new simcards cost Rp29k. Despite observed churning on the rotational subs, IOH sees positive ARPU trends as simcards (starter packs) stay above the recharge price (reloads).
- In Dec23, IOH saw positive net adds from its market expansion.
- The contribution of Rp100k+ reloads/packages improves. The digital services (data) contribution also improved and that helps to increase ARPU.
- Improvements in data prices also adds to the ARPU momentum.
- Data traffic grew by 6%qoq (7.4%yoy) and IOH's traffic growth has been inline with the revenue growth, thus without hurting its data yield.
- Its Digital apps have seen an 8.6mn increase in users during the year of 2023.

### Dividend payout and 5G considerations

IOH is expected to increase steadily its dividend payout and is planning to pay dividends for FY23. IOH will remain conservative, however, as it must consider the cost of potential new spectrum.

### Fixed Broadband aspirations taking shape.

Home Fixed BB customers increased to ~350k after the acquisition of ~331k customers from MNC Play.

IOH is aiming for 8-10% home broadband market share selling fiber as well as FWP and FWA connections. This should correspond to US\$280 – 300mn of revenues by 2026 using a hybrid strategy of organic and inorganic approach.

IOH's approach is to use an asset-light model for home internet that results in an EBITDA margin of 24-25% to be reflected at the bottomline.

### BRIDS estimates reforecast

The ex-Java expansion driver shall render better valuation sentiment (trading currently at 4.6x EV/EBITDA, a discount to the incumbent's 5.2x). Further crediting this driver, a big portion of IOH's FY24 budget capex of Rp12tr will be apportioned to its expansion. We include in our projections the Home Internet take-up targeted by IOH (home Internet will not incur capex, treating it instead as operating lease), expecting 24-25% EBITDA margins and limited impact below the EBITDA line. We adjust our numbers below EBITDA lowering financial leases, improving the growth outlook to 2026 reflecting positively at the bottomline.

Exhibit 5. BRIDS estimates reforecast on IOH'P&L

Rp bn	BRIDS OLD					BRIDS NEW				Δ%		
	2022	2023E	2024F	2025F	2026F	2023A	2024F	2025F	2026F	2024F	2025F	2026F
Revenue	46,752	50,753	54,652	58,469	61,918	51,229	55,576	60,813	66,434	1.7	4.0	7.3
growth %		8.6	7.7	7.0	5.9	9.6	8.5	9.4	9.2	0.8	2.4	3.3
EBITDA	19,469	23,862	26,548	28,885	31,067	23,938	27,101	29,900	32,641	2.1	3.5	5.1
margin %	41.6	47.0	48.6	49.4	50.2	46.7	48.8	49.2	49.1	0.2	-0.2	-1.0
EBIT	5,766	8,997	10,444	11,703	12,732	9,317	11,494	12,821	13,984	10.1	9.6	9.8
margin %	12.3	17.7	19.1	20.0	20.6	18.2	20.7	21.1	21.0	1.6	1.1	0.5
NPATMI	4,723	3,825	4,300	5,395	6,318	4,507	5,306	6,415	7,410	23.4	18.9	17.3
adjusted NPATMI	1,458	3,284	4,300	5,395	6,318	3,561	5,306	6,415	7,410	23.4	18.9	17.3
margin %	3.1	6.5	7.9	9.2	10.2	7.0	9.5	10.5	11.2	1.7	1.3	0.9
ROE	25.2	13.7	13.7	15.7	16.9	16.0	16.3	17.7	18.8	2.6	2.1	1.8

Source: Company, BRIDS Estimates

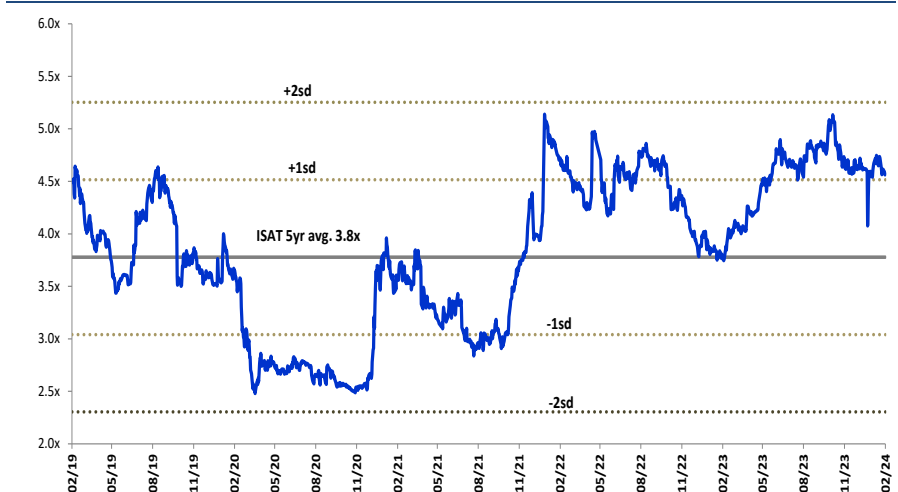


Exhibit 6. IOH DCF-based valuation

(Rp bn)	2022	2023	2024F	2025F	2026F	2027F	2028F
Revenue	46,752	51,229	55,576	60,813	66,434	71,140	75,356
growth (%)	<b>48.9</b>	<b>9.6</b>	<b>8.5</b>	<b>9.4</b>	<b>9.2</b>	<b>7.1</b>	<b>5.9</b>
EBITDA	19,469	23,938	27,101	29,900	32,641	34,129	36,158
EBITDA margin (%)	<b>41.6</b>	<b>46.7</b>	<b>48.8</b>	<b>49.2</b>	<b>49.1</b>	<b>48.0</b>	<b>48.0</b>
EBIT	<b>5,766</b>	<b>9,317</b>	<b>11,494</b>	<b>12,821</b>	<b>13,984</b>	<b>14,249</b>	<b>14,976</b>
EBIT margin (%)	<b>12.3</b>	<b>18.2</b>	<b>20.7</b>	<b>21.1</b>	<b>21.0</b>	<b>20.0</b>	<b>19.9</b>
After Tax Cash Flow	4,497	7,268	8,965	10,001	10,907	11,114	11,681
Depreciation & amortization	13,703	14,621	15,607	17,078	18,657	19,880	21,182
Change in working capital	(493)	(1,064)	(245)	(277)	(292)	(222)	(217)
Net capital expenditure	(11,703)	(11,657)	(12,000)	(13,000)	(14,000)	(15,000)	(16,000)
Capex / sales (%)	<b>25.0</b>	<b>22.8</b>	<b>21.6</b>	<b>21.4</b>	<b>21.1</b>	<b>21.1</b>	<b>21.2</b>
Free cash flows for the firm	6,005	9,167	12,328	13,802	15,272	15,773	16,647
Year	0	0	1	2	3	4	5
Discount factor	1.00	1.00	0.89	0.80	0.71	0.64	0.57
PV of free cash flows	6,005	9,167	11,017	11,023	10,900	10,061	9,489
Value of the firm in the forecasted period	52,491						
Value of FCF after the forecasted period	103,501						
Value of firm	155,992						
Net cash/(debt)	(48,703)						
Value of equity	107,289						
Target price (Rp)	13,300						

Source: Company, BRIDS Estimates

Exhibit 7. IOH's forward EV/EBITDA multiple band



Source: Company BRIDS Estimates

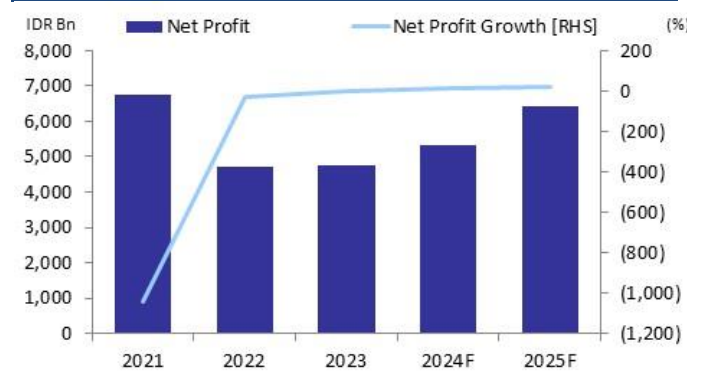


**Exhibit 8. Revenue and Growth**



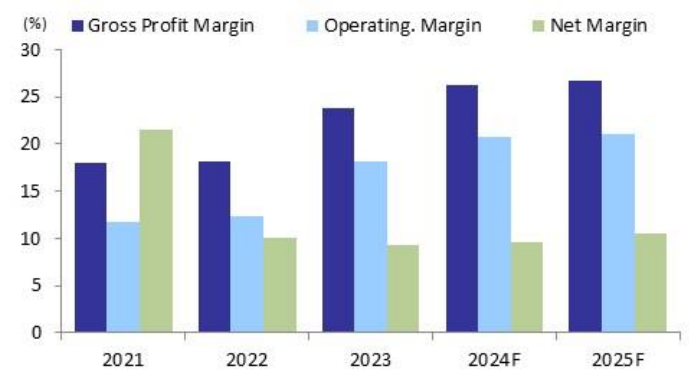
Source: Company, BRIDS Estimates

**Exhibit 9. Net Profit and Growth**



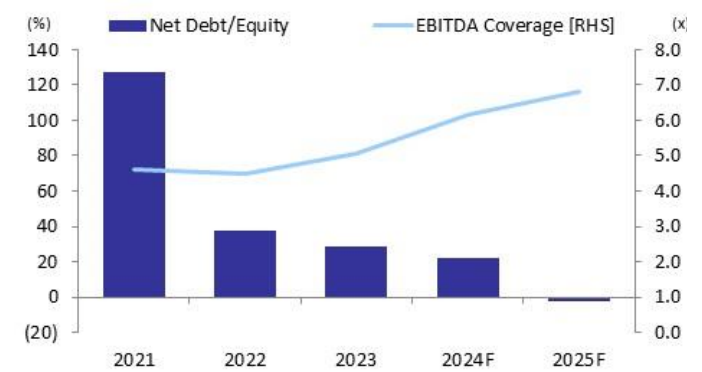
Source: Company, BRIDS Estimates

**Exhibit 10. Margins**



Source: Company, BRIDS Estimates

**Exhibit 11. Gearing Level**



Source: Company, BRIDS Estimates

**Exhibit 12. Income Statement**

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
<b>Revenue</b>	<b>46,752</b>	<b>51,229</b>	<b>55,576</b>	<b>60,813</b>	<b>66,434</b>
COGS	(38,256)	(39,007)	(41,020)	(44,623)	(48,833)
<b>Gross profit</b>	<b>8,496</b>	<b>12,222</b>	<b>14,556</b>	<b>16,190</b>	<b>17,601</b>
<b>EBITDA</b>	<b>19,469</b>	<b>23,938</b>	<b>27,101</b>	<b>29,900</b>	<b>32,641</b>
<b>Oper. profit</b>	<b>5,766</b>	<b>9,317</b>	<b>11,494</b>	<b>12,821</b>	<b>13,984</b>
Interest income	118	331	95	198	333
Interest expense	(4,345)	(4,725)	(4,406)	(4,377)	(4,357)
Forex Gain/(Loss)	172	(103)	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	4,825	1,343	0	0	0
<b>Pre-tax profit</b>	<b>6,536</b>	<b>6,164</b>	<b>7,183</b>	<b>8,642</b>	<b>9,959</b>
Income tax	(1,166)	(1,156)	(1,580)	(1,901)	(2,191)
Minority interest	(647)	(269)	(296)	(326)	(359)
<b>Net profit</b>	<b>4,723</b>	<b>4,739</b>	<b>5,306</b>	<b>6,415</b>	<b>7,410</b>
<b>Core Net Profit</b>	<b>4,551</b>	<b>4,841</b>	<b>5,306</b>	<b>6,415</b>	<b>7,410</b>

**Exhibit 13. Balance Sheet**

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	9,508	5,190	6,188	14,131	20,634
Receivables	2,374	3,144	3,411	3,732	4,077
Inventory	73	226	237	259	287
Other Curr. Asset	6,728	6,920	7,216	7,847	8,597
Fixed assets - Net	69,182	72,861	71,227	68,462	65,117
Other non-curr.asset	26,015	26,382	30,209	30,803	31,488
<b>Total asset</b>	<b>113,880</b>	<b>114,722</b>	<b>118,488</b>	<b>125,234</b>	<b>130,199</b>
ST Debt	4,269	2,487	2,491	2,466	2,441
Payables	11,555	11,460	11,957	13,856	14,429
Other Curr. Liabilities	20,050	20,188	21,171	22,579	24,270
Long Term Debt	17,025	12,295	11,733	10,678	9,727
Other LT. Liabilities	29,366	34,584	35,448	36,053	36,640
<b>Total Liabilities</b>	<b>82,265</b>	<b>81,013</b>	<b>82,799</b>	<b>85,632</b>	<b>87,508</b>
Shareholder's Funds	28,343	30,746	34,272	38,033	40,953
Minority interests	3,272	2,963	1,417	1,569	1,739
<b>Total Equity &amp; Liabilities</b>	<b>113,880</b>	<b>114,722</b>	<b>118,488</b>	<b>125,234</b>	<b>130,199</b>

**Exhibit 14. Cash Flow**

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Net income	4,723	4,739	5,306	6,415	7,410
Depreciation and Amort.	13,703	14,621	15,607	17,078	18,657
Change in Working Capital	(493)	(1,064)	(245)	(277)	(292)
Other Oper. Cash Flow	(6,694)	4,521	5,317	6,643	5,313
<b>Operating Cash Flow</b>	<b>11,239</b>	<b>22,816</b>	<b>25,986</b>	<b>29,859</b>	<b>31,088</b>
Capex	(19,528)	(10,779)	(13,643)	(13,981)	(14,981)
Others Inv. Cash Flow	(20,818)	(7,556)	(4,064)	(727)	(684)
<b>Investing Cash Flow</b>	<b>(40,346)</b>	<b>(18,335)</b>	<b>(17,707)</b>	<b>(14,708)</b>	<b>(15,665)</b>
Net change in debt	22,120	(2,113)	257	(266)	(161)
New Capital	18,589	(351)	(1,546)	152	170
Dividend payment	(2,000)	(2,062)	(1,781)	(2,653)	(4,490)
Other Fin. Cash Flow	(3,883)	(4,042)	(4,211)	(4,441)	(4,439)
<b>Financing Cash Flow</b>	<b>34,825</b>	<b>(8,567)</b>	<b>(7,281)</b>	<b>(7,208)</b>	<b>(8,921)</b>
<b>Net Change in Cash</b>	<b>5,719</b>	<b>(4,086)</b>	<b>999</b>	<b>7,943</b>	<b>6,503</b>
Cash - begin of the year	3,789	9,508	5,190	6,188	14,131
Cash - end of the year	9,508	5,190	6,188	14,131	20,634

**Exhibit 15. Key Ratio**

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
<b>Growth (%)</b>					
Sales	48.9	9.6	8.5	9.4	9.2
EBITDA	40.2	23.0	13.2	10.3	9.2
Operating profit	56.6	61.6	23.4	11.5	9.1
Net profit	(30.0)	0.3	12.0	20.9	15.5
<b>Profitability (%)</b>					
Gross margin	18.2	23.9	26.2	26.6	26.5
EBITDA margin	41.6	46.7	48.8	49.2	49.1
Operating margin	12.3	18.2	20.7	21.1	21.0
Net margin	10.1	9.2	9.5	10.5	11.2
ROAA	5.3	4.1	4.6	5.3	5.8
ROAE	25.2	16.0	16.3	17.7	18.8
<b>Leverage</b>					
Net Gearing (x)	0.4	0.3	0.2	0.0	(0.2)
Interest Coverage (x)	1.3	2.0	2.6	2.9	3.2

Source : ISAT, BRIDS Estimates

**BRI Danareksa Equity Research Team**

Erindra Krisnawan, CFA	Head of Equity Research, Strategy, Coal	<a href="mailto:erindra.krisnawan@brids.co.id">erindra.krisnawan@brids.co.id</a>
Natalia Sutanto	Consumer, Cigarettes, Pharmaceuticals, Retail	<a href="mailto:natalia.sutanto@brids.co.id">natalia.sutanto@brids.co.id</a>
Niko Margaronis	Telco, Tower, Technology, Media	<a href="mailto:niko.margaronis@brids.co.id">niko.margaronis@brids.co.id</a>
Hasan Barakwan	Metal, Oil and Gas	<a href="mailto:hasan.barakwan@brids.co.id">hasan.barakwan@brids.co.id</a>
Victor Stefano	Banks, Poultry	<a href="mailto:victor.stefano@brids.co.id">victor.stefano@brids.co.id</a>
Ismail Fakhri Suweleh	Healthcare, Property, Industrial Estate	<a href="mailto:ismail.suweleh@brids.co.id">ismail.suweleh@brids.co.id</a>
Richard Jerry, CFA	Automotive, Cement	<a href="mailto:richard.jerry@brids.co.id">richard.jerry@brids.co.id</a>
Ni Putu Wilastita Muthia Sofi	Research Associate	<a href="mailto:wilastita.sofi@brids.co.id">wilastita.sofi@brids.co.id</a>
Naura Reyhan Muchlis	Research Associate	<a href="mailto:naura.muchlis@brids.co.id">naura.muchlis@brids.co.id</a>
Sabela Nur Amalina	Research Associate	<a href="mailto:sabela.amalina@brids.co.id">sabela.amalina@brids.co.id</a>
Christian Immanuel Sitorus	Research Associate	<a href="mailto:christian.sitorus@brids.co.id">christian.sitorus@brids.co.id</a>

**BRI Danareksa Economic Research Team**

Helmy Kristanto	Chief Economist, Macro Strategy	<a href="mailto:helmy.kristanto@brids.co.id">helmy.kristanto@brids.co.id</a>
Dr. Telisa Aulia Falianty	Senior Advisor	<a href="mailto:telisa.falianty@brids.co.id">telisa.falianty@brids.co.id</a>
Kefas Sidauruk	Economist	<a href="mailto:kefas.sidauruk@brids.co.id">kefas.sidauruk@brids.co.id</a>

**BRI Danareksa Institutional Equity Sales Team**

Yofi Lasini	Head of Institutional Sales and Dealing	<a href="mailto:yofi.lasini@brids.co.id">yofi.lasini@brids.co.id</a>
Novrita Endah Putrianti	Institutional Sales Unit Head	<a href="mailto:novrita.putrianti@brids.co.id">novrita.putrianti@brids.co.id</a>
Ehrlicch Suhartono	Institutional Sales Associate	<a href="mailto:ehrliech@brids.co.id">ehrliech@brids.co.id</a>
Yunita Nababan	Institutional Sales Associate	<a href="mailto:yunita@brids.co.id">yunita@brids.co.id</a>
Adeline Solaiman	Institutional Sales Associate	<a href="mailto:adeline.solaiman@brids.co.id">adeline.solaiman@brids.co.id</a>
Andreas Kenny	Institutional Sales Associate	<a href="mailto:andreas.kenny@brids.co.id">andreas.kenny@brids.co.id</a>
Christy Halim	Institutional Sales Associate	<a href="mailto:christy.halim@brids.co.id">christy.halim@brids.co.id</a>
Jason Joseph	Institutional Sales Associate	<a href="mailto:jason.joseph@brids.co.id">jason.joseph@brids.co.id</a>

**BRI Danareksa Sales Traders**

Mitcha Sondakh	Head of Sales Trader	<a href="mailto:mitcha.sondakh@brids.co.id">mitcha.sondakh@brids.co.id</a>
Suryanti Salim	Sales Trader	<a href="mailto:suryanti.salim@brids.co.id">suryanti.salim@brids.co.id</a>

**INVESTMENT RATING**

<b>BUY</b>	Expected total return of 10% or more within a 12-month period
<b>HOLD</b>	Expected total return between -10% and 10% within a 12-month period
<b>SELL</b>	Expected total return of -10% or worse within a 12-month period

**Disclaimer**

The information contained in this report has been taken from sources which we deem reliable. However, none of PT BRI Danareksa Sekuritas and/or its affiliated and/or their respective employees and/or agents makes any representation or warrant (express or implied) or accepts any responsibility or liability as to, or in relation to, the accuracy or completeness of the information and opinions contained in this report or as to any information contained in this report or any other such information or opinions remaining unchanged after the issue thereof.

We expressly disclaim any responsibility or liability (express or implied) of PT BRI Danareksa Sekuritas, its affiliated companies and their respective employees and agents whatsoever and howsoever arising (including, without limitations for any claims, proceedings, action, suits, losses, expenses, damages or costs) which may be brought against or suffered by any person as results of acting in reliance upon the whole or any part of the contents of this report and neither PT BRI Danareksa Sekuritas, its affiliated companies or their respective employees or agents accepts liability for any errors, omissions or mis-statements, negligent or otherwise, in the report and any liability in respect of the report or any inaccuracy therein or omission therefrom which might otherwise arise is hereby expressly disclaimed.

The information contained in the report is not to be taken as any recommendation made by PT BRI Danareksa Sekuritas or any other person to enter into any agreement with regard to any investment mentioned in this document. This report is prepared for general circulation. It does not have regards to the specific person who may receive this report. In considering any investments you should make your own independent assessment and seek your own professional financial and legal advice.