Buy

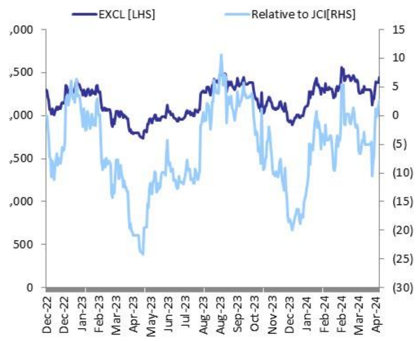
(Maintained)

Last Price (Rp)	2,440
Target Price (Rp)	▲3,300
Previous Target Price (Rp)	*3,000*
Upside/Downside	+35.2%
No. of Shares (mn)	13,072
Mkt Cap (Rpbn/US$mn)	31,896/1,962
Avg, Daily T/O (Rpbn/US$mn)	51.7/3.2
Free Float (%)	33.2
Major Shareholder (%)	
Axiata Investments Indonesia Sdn. Bhd.	66.3

EPS Consensus (Rp)

	2024F	2025F	2026F
BRIDS	160.8	187.1	205.7
Consensus	124.7	154.7	190.0
BRIDS/Cons (%)	**28.9**	**21.0**	**8.3**

EXCL relative to JCI Index



Source: Bloomberg

BRI Danareksa Sekuritas Analysts

Niko Margaronis
(62-21) 5091 4100 ext. 3512
natalia.sutanto@brids.co.id

XL Axiata (EXCL IJ)

1Q24 earnings beat; better outlook with strong revenue momentum and improved cost structure.

- **1Q24 earnings beat due to a better-than-expected revenue momentum with EBITDA margin gains, offering cushion for the next quarters.**
- **XL sees more revenue growth through more reloads via its digital app, while it seeks new footprint in ex-Java leveraging on AI tech.**
- **We raise our FY24-26F est. by +34%/16%/7% and TP to Rp,3300; reiterate Buy rating on its sustainable revenue growth momentum.**

Earnings beat on revenue and EBITDA margin trending ahead of estimates. XL 1Q24 NP of Rp539bn (+107%qoq, 168%yoy) topped expectations, (at 34.0%/32.8% of FY24F ours/cons estimates vs. 13%/16% in FY22/23). This is owed to its positive revenue momentum (Rp8.4tr, -0.2%qoq, +11.8%yoy) well inline with ours/cons est. (at 24.3%/24.5% vs. 23.2% in FY22/23). Moreover, EBITDA margin climbed to 52.8% (+390bps qoq). with Rp4.5tr EBITDA trending ahead of ests. with OPEX reductions in infra and S&M, hence offering cushion for the next quarters. XL also ended 1Q24 with lower financial leases and hence lower interest expense.

Strong grip on its subs managing better ARPU; limited effects from TSEL Lite. XL experienced little impact from Telkomsel's new package in 1Q24, as it maintained its 57.6mn subs base (flat qoq), which generated larger traffic (+3.2%qoq, +18.4%yoy). XL delivered sequential ARPU improvement to Rp44k (+2.3%qoq/ 10.0%yoy) which mgmt. attributed to: a) last Nov.23 price improvements and b) removal of hidden subsidies in 1Q24. XL aims to onboard more subs on its digital app (30.3mn active users +1.1% qoq, +4.2% yoy) to sell better customized data plans for further ARPU increments.

XL planning for the longer term; AI tech offers XL topline/EBITDA upsides. XL's 2G BTS sequentially increased in 1Q24 to 54.8k (+750K qoq, 1,700k yoy) which bodes well with its reference for expansion in ex-Java with 10-12% more competitive pricing vs. TSEL. It utilizes AI to predict and choose the sites with the best return. Moreover, XL strategically aims the 5G spectrum (hence targets for the high band 26GHz) indicating that it has enough spectrum for 4G. This bodes well with the possibility of a merger with Smartfren who can contribute with low band spectrum.

Reiterate Buy on XL profitability momentum, with higher TP of Rp3,300 We reiterate Buy rating on EXCL at current 4.3x EV/ EBITDA on its improved profitability momentum. We revise FY24-26F est. by +34%/16%/7% to reflect a more optimistic revenue growth and EBITDA margin, and raise our TP to Rp3,300 from Rp3,000 prev.. Key risks is from seeking new footprints resulting into lower revenue and higher OPEX.

Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Revenue (Rpbn)	29,142	32,323	35,108	37,192	39,133
EBITDA (Rpbn)	14,235	15,885	17,567	18,338	19,358
EBITDA Growth (%)	7.1	11.6	10.6	4.4	5.6
Net Profit (Rpbn)	1,109	1,271	2,102	2,446	2,689
EPS (Rp)	84.9	97.2	160.8	187.1	205.7
EPS Growth (%)	(13.9)	14.6	65.3	16.4	9.9
BVPS (Rp)	1,961.7	2,016.6	2,119.0	2,209.7	2,284.4
DPS (Rp)	41.6	42.0	58.3	96.5	131.0
PER (x)	28.7	25.1	15.2	13.0	11.9
PBV (x)	1.2	1.2	1.2	1.1	1.1
Dividen yield (%)	1.7	1.7	2.4	4.0	5.4
EV/EBITDA	5.4	4.8	4.4	4.2	4.0

Source: EXCL, BRIDS Estimate

Exhibit 1. XL Axiata financials 1Q24

Rp bn	1Q23	4Q23	1Q24	QoQ, %	yoy, %	2024F BRIDS	A/BRIDS, %	2024F Cons	A/C, %
Net revenues	**7,547**	**8,455**	**8,438**	***(0.2)***	***11.8***	**34,751**	***24.3%***	**34,434**	***24.5%***
Data & Digital services	6,909	7,680	7,823	*1.9*	*13.2*	*31,825*	*24.6%*		
Other (legacy,	*513*	635	451	*(28.9)*	*(12.1)*	*2,416*	*18.7%*		
Voice & SMS	*258*	226	240	*6.4*	*(7.0)*	*996*	*24.1%*		
Interconnection &	*255*	409	211	*(48.4)*	*(17.3)*	*1,420*	*14.9%*		
Managed & IT Services	*128*	143	166	*16.1*	*29.7*	*536*	*30.9%*		
Discounts	*-3*	-2	-1	*(40.2)*	*(57.4)*	*-26*	*5.1%*		
Total expenses	**-6,607**	**-7,188**	**-6,968**	***(3.1)***	***5.5***	**-29,379**			
Cash OPEX	**-3,964**	**-4,325**	**-3,984**	***(7.9)***	***0.5***	**-17,749**	***22.4%***		
Infrastructure costs	-2,336	-2,338	-2,227	*(4.7)*	*(4.7)*	*-10,446*	*21.3%*		
D&A	-2,742	-2,980	-3,064	*2.8*	*11.8*	*-12,054*	*25.4%*		
Personnel	-331	-343	-358	*4.3*	*8.0*	*-1,405*	*25.5%*		
Interconnect/USO/bundl	-649	-852	-764	*(10.3)*	*17.8*	*-3,071*	*24.9%*		
Marketing and selling	-565	-650	-533	*(18.0)*	*(5.7)*	*-2,433*	*21.9%*		
General & Admin.	-83	-142	-102	*(28.1)*	*22.9*	*-394*	*25.8%*		
Other	99	117	80	*(31.4)*	*(19.1)*	424	*19.0%*		
EBITDA	**3,583**	**4,130**	**4,455**	***7.9***	***24.3***	**16,963**	***26.2%***	**16,952**	***26.3%***
Ebitda margin (%)	*47.5*	*48.8*	*52.8*	*3.9*	*5.3*	*48.8*		*49.2%*	
EBIT	**841**	**1,150**	**1,390**	***20.9***	***65.2***	**3,819**	***36.4%***		
Operating profit	**941**	**1,267**	**1,471**	***16.1***	***56.3***	**5,372**	***27.4%***		
Other income (expense)	**-703**	**-813**	**-793**	***(2.4)***	***12.8***	**-3,324**	***23.9%***		
Net finance inc. (exp.)	-655	-736	-742	*0.9*	*13.3*	-3,196	*23.2%*		
Interest expense	-682	-766	-758	*(1.0)*	*11.1*	-3,264	*23.2%*		
Finance income	27	30	16	*(47.6)*	*(42.6)*	68	*23.2%*		
result from associates	-48	-77	-51	*(34.1)*	*5.8*	-128	*39.7%*		
Pre-tax profit	**238**	**454**	**677**	***49.2***	***184.9***	**2,049**	***33.1%***	**2,076**	***32.6%***
Tax (expense) benefit	-34	-188	-130	*(31.0)*	*286.2*	-470	*27.6%*		
effective tax rate	-14%	-41%	-19%						
Minority interest	-3	-5	-8	*56.1*	*154.4*	-13	*66.6%*		
	16%								
Reported net profit	**201**	**260**	**539**	***107.2***	***168.5***	**1,568**	***34.4%***	**1,644**	***32.8%***
Book Capex	1,413	1,613	2,057	*27.5*	*45.6*	8,000	*25.7%*		
Capex Intensity (%)	*18.7*	*19.1*	*24.4*	*5.3*	*5.7*	*23.0*			
Cash	1,739	966	1,150	*19.1*	*(81.4)*				
Gross debt	40,806	45,918	46,047	*0.3*	*12.8*				
Net debt (incl. lease)	39,067	44,952	44,897	*(0.1)*	*14.9*				
Net debt (excl. lease)	7,090	9,139	10,092	*10.4*	*42.3*				
Equity	25,841	26,360	26,901	*2.1*	*4.1*				
Gross debt excl. lease / ann. EBITDA (x)	*0.6*	*0.6*	*0.6*	*0.0*	*0.0*				
Gross debt incl. lease / ann. EBITDA (x)	*2.8*	*2.8*	*2.6*	*(0.2)*	*(0.3)*				
Net debt excl. lease / ann. EBITDA (x)	*0.5*	*2.7*	*2.5*	*(0.2)*	*2.0*				
Net debt/Equity (x)	*0.3*	*0.3*	*0.4*	*0.0*	*0.1*				
oFCF	2,170	2,517	2,398	*(4.7)*	*10.5*				
EBITDA - CAPEX coverage	*2.5*	*2.6*	*2.2*	*(0.4)*	*(0.4)*				

Source: Company BRIDS Estimates

Exhibit 2. XL Axiata 1Q24 operational KPIs

Operational Data	1Q23	4Q23	1Q24	qoq, %	yoy, %
No. of Subscriber (million	**57.9**	**57.5**	**57.6**	***0.2***	***(0.5)***
Prepaid	56.4	55.9	56.0	*0.2*	*(0.7)*
Postpaid	1.5	1.6	1.6	*0.0*	*6.7*
MyXL & Axisnet MAU	**26.1**	**29.2**	**30.3**	***1.1***	***4.2***
Blended ARPU YTD (Rp. '000)	**40**	**43**	**44**	***2.3***	***10.0***
Data Segment					
Data Traffic (Petabytes)	2,204	2,529	2,609	*3.2*	*18.4*
Avg. monthly data usage	13.4	15.4	15.8	*2.5*	*17.4*
FMC Convergence					
Homepass penetration	300.0	313.3	319.0	*1.8*	*6.3*
XL Home BB subscribers	132.0	235.0	252.0	*7.2*	*90.9*
FMC Convergence	44%	75%	79%	*4.0*	*35.0*
Network BTS (# '000)	**148.8**	**160.1**	**163.1**	***1.9***	***9.6***
2G	53.1	54.1	54.8	*1.4*	*3.2*
3G	1.3	1.1	0.4	*(64.3)*	*(69.9)*
4G	94.4	105.0	107.9	*2.8*	*14.3*

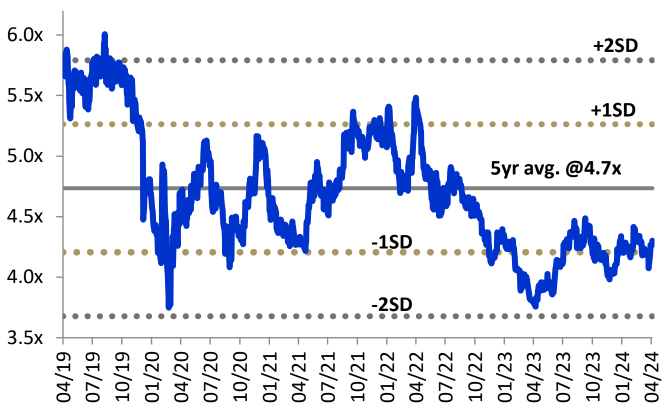
Source: Company BRIDS Estimates

Exhibit 3. 1Q24 BRIDS reforecast

Rp bn	OLD				BRIDS NEW			Δ%		
	2023A	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F
Revenue	32,323	**34,751**	**36,881**	**38,836**	**35,108**	**37,192**	**39,133**	***1.0***	***0.8***	***0.8***
growth %	*10.9*	*7.5*	*6.1*	*5.3*	*8.6*	*5.9*	*5.2*	*1.1*	*-0.2*	*-0.1*
EBITDA	15,885	**17,002**	**17,979**	**19,240**	**17,567**	**18,338**	**19,358**	***3.3***	***2.0***	***0.6***
EBITDA margin %	*49.1*	*48.9*	*48.7*	*49.5*	*50.0*	*49.3*	*49.5*	*1.1*	*0.6*	*-0.1*
EBIT	4,380	**5,372**	**6,147**	**6,736**	**5,938**	**6,505**	**6,854**	***10.5***	***5.8***	***1.8***
EBIT margin %	*13.6*	*15.5*	*16.7*	*17.3*	*16.9*	*17.5*	*17.5*	*1.5*	*0.8*	*0.2*
NPATMI	1,271	**1,566**	**2,100**	**2,503**	**2,102**	**2,446**	**2,689**	***34.2***	***16.5***	***7.4***
NI margin %	*3.9*	*4.5*	*5.7*	*6.4*	*6.0*	*6.6*	*6.9*	*1.5*	*0.9*	*0.4*
ROE	4.9	**5.9**	**7.6**	**8.7**	**7.8**	**8.6**	**9.2**	***1.9***	***1.1***	***0.5***

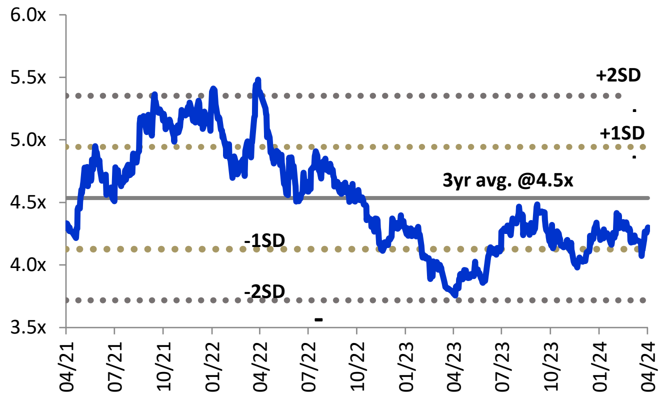
Source: Company BRIDS Estimates

Exhibit 4. XL Axiata 5yr forward EV/EBITDA multiple



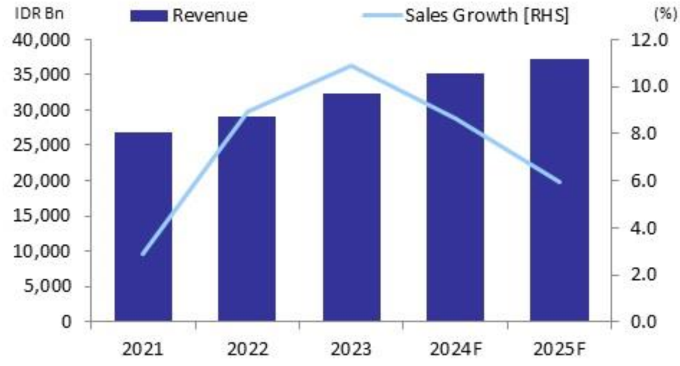
Source: Company, BRIDS Estimates

Exhibit 5. XL Axiata 3yr forward EV/EBITDA multiple



Source: Company, BRIDS Estimates

Exhibit 6. Revenue and Growth

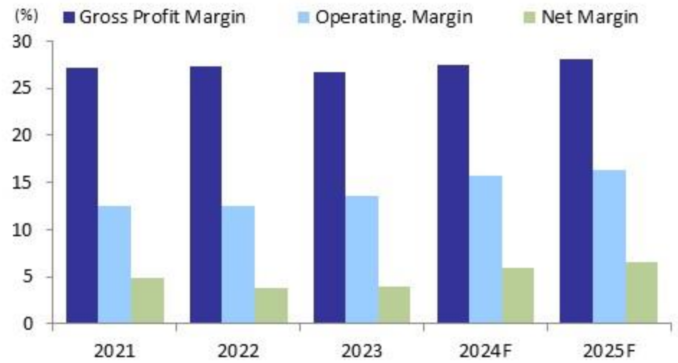


Source: Company, BRIDS Estimates

Exhibit 7. Net Profit and Growth

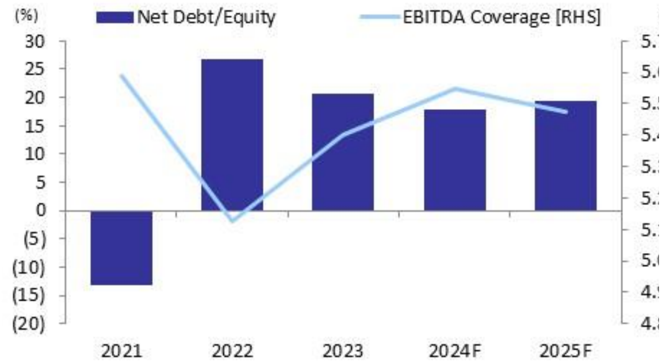
Source: Company, BRIDS Estimates

Exhibit 8. Margins



Source: Company, BRIDS Estimates

Exhibit 9. Gearing Level



Source: Company, BRIDS Estimates

Exhibit 10. Income Statement

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Revenue	**29,142**	**32,323**	**35,108**	**37,192**	**39,133**
COGS	(21,188)	(23,673)	(25,461)	(26,768)	(27,732)
Gross profit	**7,954**	**8,650**	**9,647**	**10,424**	**11,400**
EBITDA	**14,235**	**15,885**	**17,567**	**18,338**	**19,358**
Oper. profit	**3,658**	**4,380**	**5,513**	**6,081**	**6,854**
Interest income	112	100	68	65	74
Interest expense	(2,777)	(2,940)	(3,168)	(3,350)	(3,536)
Forex Gain/(Loss)	(61)	13	0	0	0
Income From Assoc. Co's	4	(191)	(128)	(85)	(57)
Other Income (Expenses)	418	343	424	424	0
Pre-tax profit	**1,353**	**1,705**	**2,710**	**3,136**	**3,336**
Income tax	(232)	(420)	(595)	(676)	(634)
Minority interest	(12)	(13)	(13)	(13)	(13)
Net profit	**1,109**	**1,271**	**2,102**	**2,446**	**2,689**
Core Net Profit	**1,171**	**1,258**	**2,102**	**2,446**	**2,689**

Exhibit 11. Balance Sheet

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	5,184	975	3,244	3,089	1,359
Receivables	852	1,435	1,158	1,218	1,271
Inventory	408	378	423	445	465
Other Curr. Asset	3,964	4,395	4,540	4,809	4,675
Fixed assets - Net	60,474	63,890	68,767	73,440	77,916
Other non-curr.asset	16,396	16,624	16,510	16,567	16,538
Total asset	**87,278**	**87,698**	**94,642**	**99,568**	**102,224**
ST Debt	5,622	854	2,159	2,878	1,964
Payables	11,337	9,383	11,253	12,397	12,769
Other Curr. Liabilities	9,391	9,906	10,480	11,102	11,681
Long Term Debt	6,488	5,609	6,048	5,829	5,939
Other LT. Liabilities	28,665	35,432	36,849	38,323	39,856
Total Liabilities	**61,504**	**61,183**	**66,789**	**70,530**	**72,209**
Shareholder'sFunds	25,643	26,360	27,699	28,885	29,861
Minority interests	131	144	144	144	144
Total Equity & Liabilities	**87,278**	**87,688**	**94,633**	**99,559**	**102,215**

Exhibit 12. Cash Flow

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Net income	1,109	1,271	2,102	2,446	2,689
Depreciation and Amort.	10,577	11,505	12,054	12,257	12,504
Change in Working Capital	(381)	(2,423)	2,531	1,416	1,013
OtherOper. Cash Flow	1,090	649	2,907	3,091	3,268
Operating Cash Flow	**12,396**	**11,002**	**19,593**	**19,210**	**19,474**
Capex	(7,475)	(3,994)	(8,000)	(8,000)	(8,050)
Others Inv. Cash Flow	(3,176)	(128)	182	8	103
Investing Cash Flow	**(10,651)**	**(4,123)**	**(7,818)**	**(7,992)**	**(7,947)**
Net change in debt	9,065	1,120	3,161	1,974	728
New Capital	4,939	0	0	0	0
Dividend payment	(544)	(549)	(763)	(1,261)	(1,712)
Other Fin. Cash Flow	(12,734)	(11,663)	(11,904)	(12,086)	(12,272)
Financing Cash Flow	**725**	**(11,093)**	**(9,506)**	**(11,373)**	**(13,257)**
Net Change in Cash	**2,469**	**(4,214)**	**2,269**	**(156)**	**(1,730)**
Cash - begin of the year	2,663	5,184	975	3,244	3,089
Cash - end of the year	5,184	975	3,244	3,089	1,359

Exhibit 13. Key Ratios

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Growth (%)					
Sales	8.9	10.9	8.6	5.9	5.2
EBITDA	7.1	11.6	10.6	4.4	5.6
Operating profit	9.8	19.7	25.9	10.3	12.7
Net profit	(13.9)	14.6	65.3	16.4	9.9
Profitability (%)					
Gross margin	27.3	26.8	27.5	28.0	29.1
EBITDA margin	48.8	49.1	50.0	49.3	49.5
Operating margin	12.6	13.6	15.7	16.4	17.5
Net margin	3.8	3.9	6.0	6.6	6.9
ROAA	1.4	1.5	2.3	2.5	2.7
ROAE	4.9	4.9	7.8	8.6	9.2
Leverage					
Net Gearing (x)	0.3	0.2	0.2	0.2	0.2
Interest Coverage (x)	1.3	1.5	1.7	1.8	1.9

Source : GOTO, BRIDS Estimates

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

BRI Danareksa Economic Research Team		
Helmy Kristanto	Chief Economist, Macro Strategy	helmy.kristanto@brids.co.id
Dr. Telisa Aulia Falianty	Senior Advisor	telisa.falianty@brids.co.id
Kefas Sidauruk	Economist	kefas.sidauruk@brids.co.id

BRI Danareksa Institutional Equity Sales Team		
Yofi Lasini	Head of Institutional Sales and Dealing	yofi.lasini@brids.co.id
Novrita Endah Putrianti	Institutional Sales Unit Head	novrita.putrianti@brids.co.id
Ehrliech Suhartono	Institutional Sales Associate	ehrliech@brids.co.id
Yunita Nababan	Institutional Sales Associate	yunita@brids.co.id
Adeline Solaiman	Institutional Sales Associate	adeline.solaiman@brids.co.id
Andreas Kenny	Institutional Sales Associate	andreas.kenny@brids.co.id
Christy Halim	Institutional Sales Associate	christy.halim@brids.co.id
Jason Joseph	Institutional Sales Associate	Jason.joseph@brids.co.id

BRI Danareksa Sales Traders		
Mitcha Sondakh	Head of Sales Trader	mitcha.sondakh@brids.co.id
Suryanti Salim	Sales Trader	suryanti.salim@brids.co.id

INVESTMENT RATING	
BUY	Expected total return of 10% or more within a 12-month period
HOLD	Expected total return between -10% and 10% within a 12-month period
SELL	Expected total return of -10% or worse within a 12-month period