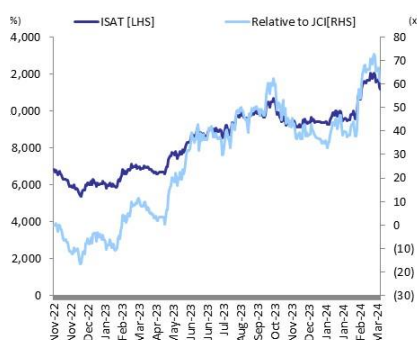


Buy

(Maintained)

Last Price (Rp)	11,000
Target Price (Rp)	13,300
Previous Target Price (Rp)	13,300
Upside/Downside	+20.9%
No. of Shares (mn)	8,063
Mkt Cap (Rpbn/US\$mn)	88,690/5,454
Avg, Daily T/O (Rpbn/US\$mn)	45.7/2.8
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	650.3 796.2 952.2
BRIDS/Cons (%)	1.2 (0.1) (3.5)

ISAT relative to JCI Index



Source: Bloomberg

BRI Danareksa Sekuritas Analysts

Niko Margaronis

(62-21) 5091 4100 ext. 3512

iko.margaronis@brids.co.id

Indosat Ooredoo Hutchison (ISAT II)

Inline 1Q24 earnings; well-positioned for more ex-Java monetization and operating leverage upside

- Inline 1Q24 net profit of Rp1.26tr (+339% yoy) on resilient revenue amid seasonality and ongoing ex-Java expansion with a stable EBITDA margin.
- IOH is firm on its commitment to scale up ARPU to Rp40k by 2Q24 with Opensignal attesting to its 4G network prowess.
- We maintain our BUY rating with an unchanged forecast and TP of Rp13,300 amid the intact growth outlook.

Ongoing ex-Java expansion delivers subs / traffic / and revenue growth.

IOH delivered 1Q24 net profit of Rp1.26tr (-6%qoq, +339%yoy), inline at 23.8%/24.4% of our FY24F est/the cons. This reflects resilient revenue growth amid 1Q seasonality (Rp13.8tr, +0.5%qoq, +15.8%yoy), well inline with the FY estimates (forming 24.9%/25.1% of ours FY est/the cons). 2G BTS further increased in 1Q24 indicating ex-Java expansion where legacy is still in demand. 1Q24 subs rose to 100.8mn (+2.3mn qoq) though with lower ARPU of Rp37.5k.

Well positioned to unlock operating leverage on strong foundations.

EBITDA reached Rp6.5tr in 1Q24, with a stable EBITDA margin of 47%, despite rising OPEX in the cost of services (up by 1.12%qoq, 3.19%yoy relative to revenue). These increases are primarily due to higher rent and partnership costs as IOH is expanding its customer reach through its new sites in ex-Java. Marketing costs started to normalize from the 4Q23 peak with the effects to last into the Lebaran period, we believe. These should position IOH to generate operating leverage in 2Q24.

The mgmt has confidence in ARPU, ex-Java expansion, fixed BB, and AlaaS.

Mgmt highlighted Indonesia's low-ranked position in ARPU, consumer cellular spent, and data traffic in East Asia. These suggest significant upside potential and justify: a) the reason IOH invests in ex-Java, and b) IOH's reiterated commitment to deliver close to Rp40k ARPU by 2Q24. Moreover, Opensignal makes the case for the IOH network that challenges the incumbent's dominance in ex-Java ([Link](#)). IOH also recently completed the integration of the fixed BB subs acquired in Nov23 into its sales and product teams. These should drive value and growth creation alongside IOH's continued ambitions for AlaaS.

Reiterate Buy rating on strong growth outlook amid a robust network.

We reiterate our Buy rating on IOH with a TP of Rp13,300 with unchanged FY24-26F estimates amid inline 1Q24 earnings. Despite the current 5.0x EV/EBITDA valuation (32% prem vs. 3.8x average), we see upside from its 2G/4G network prospects to expand and monetize better. Its financial leverage improved further due to its robust CF and room for spectrum purchase and dividend payout. Key risks mainly stem from delays in business implementation and competition.

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)	19.1	19.0	17.0	14.0	12.2
PBV (x)	3.2	2.9	2.6	2.4	2.2
Dividen yield (%)	2.3	2.0	2.9	5.0	5.8
EV/EBITDA	5.2	4.2	3.6	3.0	2.5

Source: ISAT, BRIDS Estimates

Exhibit 1. IOH Profit & Loss statement 1Q24

Rp bn	1Q23	4Q23	1Q24	QoQ, %	YoY, %	FY24F achievement	
						BRIDS, %	Cons, %
Total revenue	11,945	13,766	13,835	0.5	15.8	24.9	25.1
Net Cellular revenue	10,258	11,576	11,657	0.7	13.6	24.9	
Gross cellular revenue	11,087	12,173	12,417	2.0	12.0	24.6	
<i>Data</i>	9,588	10,976	10,924	(0.5)	13.9	24.0	
<i>Voice</i>	239	204	184	(9.8)	(22.9)	18.8	
<i>SMS</i>	36	72	54	(24.6)	49.4	30.1	
<i>Interconnection</i>	207	-732	333	n/a	60.6	33.9	
<i>VAS</i>	825	1,456	718	(50.7)	(13.0)	30.9	
<i>Others</i>	189	196	204	3.9	7.9	43.9	
Discounts	(829)	(596)	(760)	27.5	(8.3)	20.3	
Multimedia, Data, Internet (MIDI)	1,455	1,935	1,971	1.9	35.5	25.4	
<i>Fixed connectivity</i>	682	880	858	(2.6)	25.7	29.2	
<i>IT services & electronic</i>	399	799	495	(38.0)	24.0	17.2	
<i>Fixed Internet</i>	374	255	618	142.2	65.6	31.9	
Fixed telecommunications	232	255	207	(18.9)	(10.7)	19.4	
<i>International calls</i>	182	206	157	(23.7)	(13.3)	18.6	
<i>Fixed line</i>	51	49	50	1.6	(1.6)	22.8	
Total operating expense	(9,586)	(10,405)	(11,069)	6.4	15.5	25.1	
Cash Costs	(6,616)	(7,295)	(7,326)	0.4	10.7	25.7	
Cost of services	(5,227)	(5,429)	(5,612)	3.4	7.4	25.6	
Depreciation & amortization	(3,704)	(3,690)	(3,732)	1.1	0.8	23.9	
Personnel cost	(925)	(968)	(962)	(0.6)	4.0	24.8	
Marketing	(311)	(633)	(527)	(16.8)	69.3	30.3	
G&A	(153)	(265)	(226)	(14.9)	47.1	24.9	
Other income (expense)	734	580	(12)	n/a	(101.6)		
EBITDA	5,329	6,471	6,509	0.6	22.1	24.0	24.4
<i>EBITDA margin (%)</i>	44.6	47.0	47.0	0.0	2.4		
EBIT	1,625	2,781	2,778	(0.1)	70.9	24.2	24.5
<i>EBIT margin (%)</i>	13.6	20.2	20.1	(0.1)	6.5		
Operating Profit	2,359	3,361	2,766	(17.7)	17.2		
<i>OP margin (%)</i>	19.8	24.4	20.0	(4.4)	0.2		
Total other income (expenses)	(1,202)	(1,032)	(997)	(3.3)	(17.0)	23.1	
Finance cost	(1,198)	(1,095)	(1,094)	(0.1)	(8.7)	24.8	
Interest income	97	66	91	36.5	(6.0)		
Forex gain (loss)	(101)	(3)	6	n/a	(106)		
Pre-tax profit / (loss)	1,157	2,329	1,769	(24.1)	52.9	24.6	25.6
Tax benefit (expense)	(163)	(540)	(377)	(30.1)	131.0	23.9	
Minority interest	(65)	(70)	(97)	37.3	49.3	32.7	
Reported Net profit / (loss)	929	1,719	1,295	(24.7)	39.4		
Normalized Net profit / (loss)	287	1,346	1,262	(6.3)	339.4	23.8	24.4
<i>Normalized Net margin (%)</i>	2.4	9.8	9.1	(0.7)	6.7		

Source: Company, BRIDS Estimates

Exhibit 2. IOH Balance sheet and CF items 1Q24

	1Q23	4Q23	1Q24	QoQ, %	YoY, %
Book Capex	2,443	5,010	2,134	(57.4)	(12.7)
Capex/sales (intensity) (%)	20.5	36.4	15.4	(21.0)	(5.0)
<i>CF from Operating activities</i>	<i>5,032</i>	<i>3,068</i>	<i>6,279</i>	<i>104.7</i>	<i>24.8</i>
<i>CF from Investing activities</i>	<i>(774)</i>	<i>(4,397)</i>	<i>(2,688)</i>	<i>(38.9)</i>	<i>247.5</i>
<i>FCF</i>	<i>4,259</i>	<i>(1,329)</i>	<i>3,591</i>	<i>(370.3)</i>	<i>(15.7)</i>
oFCF (EBITDA - Book CAPEX)	2,886	1,461	4,375	199.5	51.6
<i>CF from Financing activities</i>	<i>(1,786)</i>	<i>(280)</i>	<i>(948)</i>	<i>238.2</i>	<i>(46.9)</i>
Total interest bearing debt	18,633	14,803	14,569	(1.6)	(21.8)
Cash & equivalents	11,290	5,190	7,849	51.3	(30.5)
Net debt (excl. financial lease)	7,344	9,613	6,720	(30.1)	(8.5)
Financial leases	36,320	39,089	39,524	1.1	8.8
Net debt	43,663	48,703	46,244	(5.0)	5.9
Equity	29,268	30,746	32,089	4.4	9.6
<i>Net debt /LTM EBITDA (x)</i>	<i>0.36</i>	<i>0.40</i>	<i>0.27</i>	<i>(33.4)</i>	<i>(25.6)</i>
<i>Net debt/equity (%)</i>	<i>0.25</i>	<i>0.31</i>	<i>0.21</i>	<i>(33.0)</i>	<i>(16.5)</i>

Source: Company

Exhibit 3. IOH Operational KPIs 1Q24

	1Q23	4Q23	1Q24	QoQ, %	YoY, %
Customers - total (mn)	98.5	98.8	100.8	2.0	2.3
Customers - postpaid (mn)	1.6	1.6	1.6	0.0	0.0
Customers - prepaid (mn)	96.9	97.2	99.3	2.2	2.5
Data traffic (Petabytes)	3,376	3,716	3,858	3.8	14.3
Effective Data Tariff (Rp '000/gb)	2.6	2.8	2.7	(5.4)	1.2
Average data usage (in gb)	13.1	13.9	14.2	1.8	7.9
Legacy metrics					
MoU	7.9	6.9	6.1	(11.6)	(22.8)
SMS total traffic	0.6	0.6	0.7	16.7	16.7
ARPU (blended) (Rp thousand)	32.9	38.5	37.5	(2.6)	14.0
ARPU (prepaid) (Rp thousand)	32.4	37.8	36.7	(2.9)	13.3
Network BTS (# '000)					
2G	46.1	50.0	51.3	2.6	11.3
3G	0.4	0.0	0.0	n/a	(100.0)
4G	152.2	179.0	183.8	2.7	20.8
5G	0.1	0.1	0.1	0.0	0.0
Total BTS	198.8	229.1	235.2	2.7	18.3

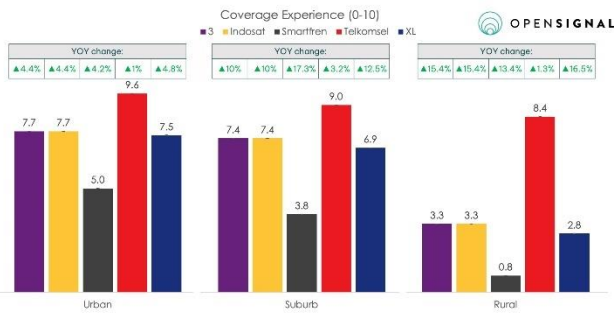
Source: Company

Equity Research – Company Update

Thursday, 02 May 2024

Exhibit 4. Coverage experience Dec22 – Feb24

Telkomsel remains unchallenged on Coverage Experience across Indonesia



Data collection periods: December 2022 – February 2023; December 2023 – February 2024 | © Opensignal

Source: Opensignal

Exhibit 6. Consistent quality in suburban/rural Dec22-Feb24

The most consistent experience in Suburban and Rural areas is with IOH

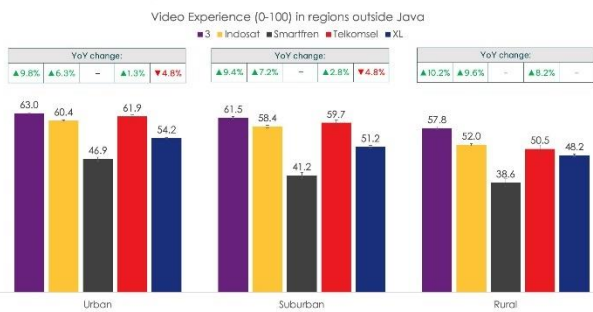


Data collection periods: December 2022 – February 2023; December 2023 – February 2024 | © Opensignal

Source: Opensignal

Exhibit 8. Ex-Java video experience Dec22-Feb24

3 takes the lead in Video Experience across Urban, Suburban and Rural areas outside Java

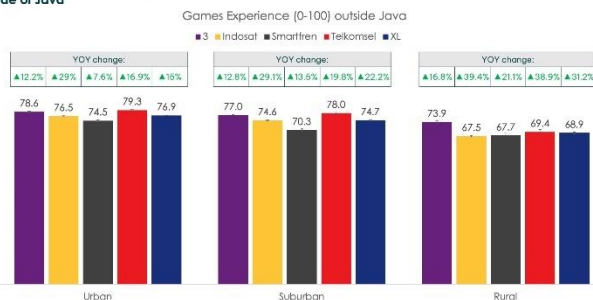


Data collection periods: December 2022 – February 2023; December 2023 – February 2024 | © Opensignal

Source: Opensignal

Exhibit 10. Ex-Java games experience Dec22-Feb24

Telkomsel is top for Games Experience in Urban and Suburban, while 3 takes the lead in Rural areas, outside of Java



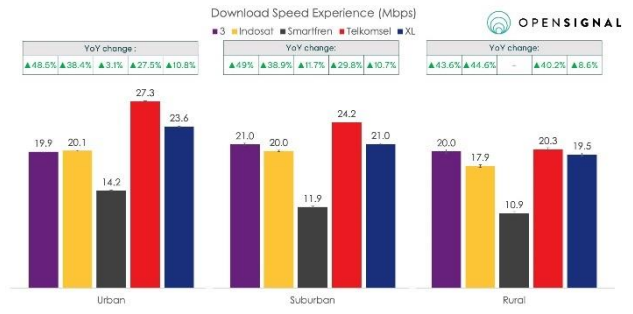
Data collection periods: December 2022 – February 2023; December 2023 – February 2024 | © Opensignal

Source: Opensignal

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Exhibit 5. Download speed in rural areas Dec22 – Feb24

3 and Telkomsel are matched on average download speed in Rural areas

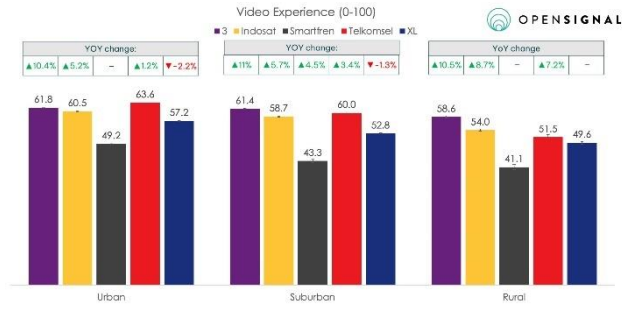


Data collection periods: December 2022 – February 2023; December 2023 – February 2024 | © Opensignal

Source: Opensignal

Exhibit 7. Video experience in rural Indonesia Dec22-Feb24

Users on IOH brands, 3 and Indosat, enjoy the best Video Experience in rural Indonesia

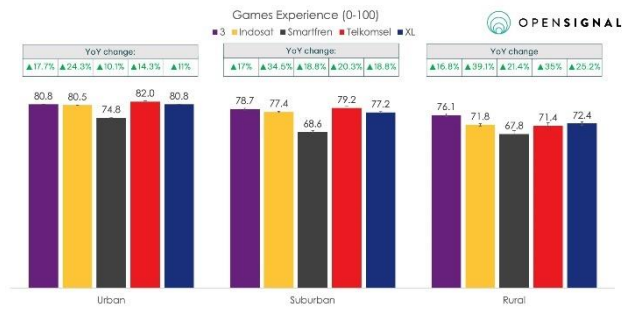


Data collection periods: December 2022 – February 2023; December 2023 – February 2024 | © Opensignal

Source: Opensignal

Exhibit 9. Games experience in Indonesia Dec22-Feb24

Indosat users experienced most significant improvements in Games Experience across Indonesia



Data collection periods: December 2022 – February 2023; December 2023 – February 2024 | © Opensignal

Source: Opensignal

Exhibit 11. Urban, suburban, rural Indonesia classification

In Indonesia, over 40% of the population lives in sparsely populated regions outside of Java

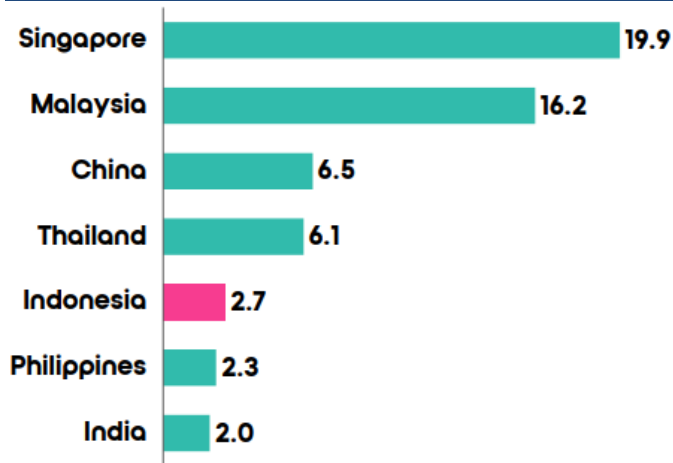


Note: Urban, Suburban and Rural geo definitions are based on the GHS-SMDO dataset published by Esri.

Source: Opensignal

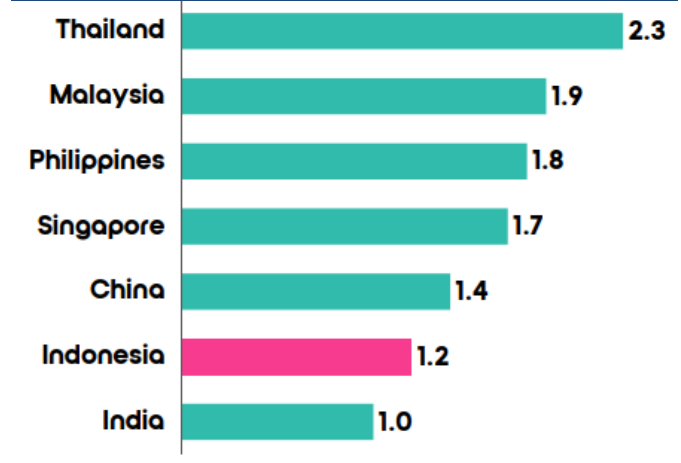
See important disclosure at the back of this report

Exhibit 12. 2023 ARPU by country (USD)



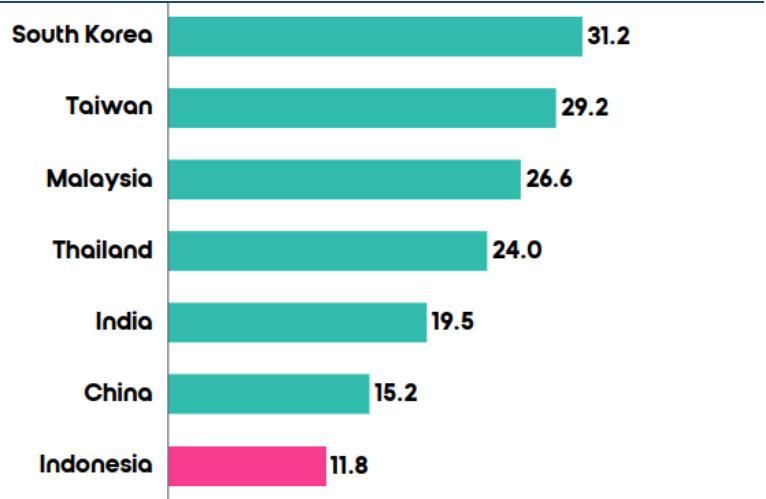
Source: Company

Exhibit 13. Cellular Spend as a % of GDP (2023)



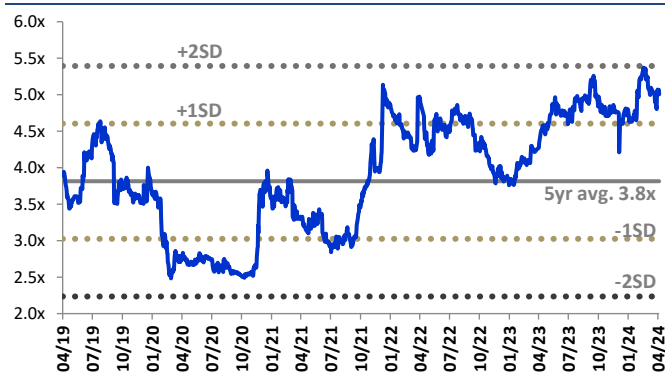
Source: Company

Exhibit 14. Mobile data usage (GB/Month/Sub)



Source: Company

Exhibit 12. IOH (ISAT I) 5-yr forward EV/EBITDA band



Source: Company, BRIDS Estimates

Exhibit 13. IOH (ISAT I) 3-yr forward EV/EBITDA band



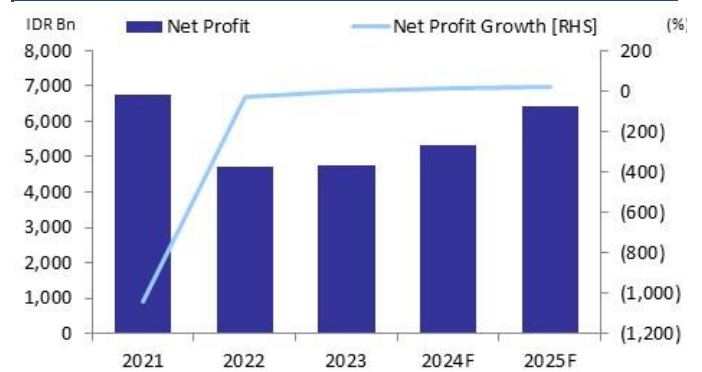
Source: Company, BRIDS Estimates

Exhibit 17. Revenue and Growth



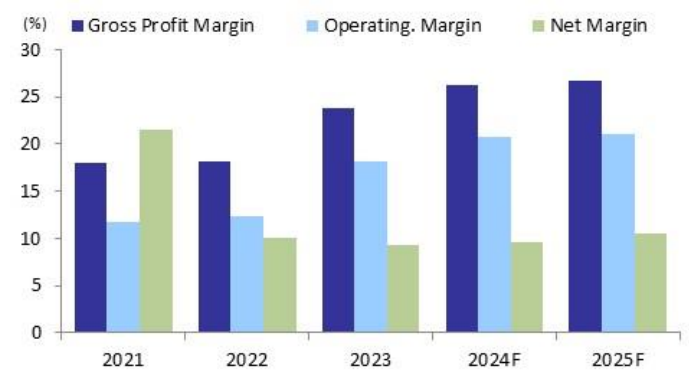
Source: Company, BRIDS Estimates

Exhibit 18. Net Profit and Growth



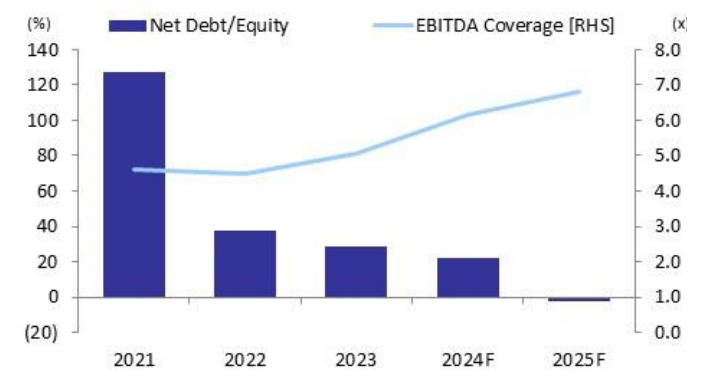
Source: Company, BRIDS Estimates

Exhibit 19. Margins



Source: Company, BRIDS Estimates

Exhibit 20. Gearing Level



Source: Company, BRIDS Estimates

Exhibit 21. Income Statement

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Revenue	46,752	51,229	55,576	60,813	66,434
COGS	(38,256)	(39,007)	(41,020)	(44,623)	(48,833)
Gross profit	8,496	12,222	14,556	16,190	17,601
EBITDA	19,469	23,938	27,101	29,900	32,641
Oper. profit	5,766	9,317	11,494	12,821	13,984
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
Pre-tax profit	6,536	6,164	7,183	8,642	9,959
Income tax	(1,166)	(1,156)	(1,580)	(1,901)	(2,191)
Minority interest	(647)	(269)	(296)	(326)	(359)
Net profit	4,723	4,739	5,306	6,415	7,410
Core Net Profit	4,551	4,841	5,306	6,415	7,410

Exhibit 22. 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
Total asset	113,880	114,722	118,488	125,234	130,199
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
Total Liabilities	82,265	81,013	82,799	85,632	87,508
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
Total Equity & Liabilities	113,880	114,722	118,488	125,234	130,199

Exhibit 23. 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
Operating Cash Flow	11,239	22,816	25,986	29,859	31,088
Capex	(19,528)	(10,779)	(13,643)	(13,981)	(14,981)
Others Inv. Cash Flow	(20,818)	(7,556)	(4,064)	(727)	(684)
Investing Cash Flow	(40,346)	(18,335)	(17,707)	(14,708)	(15,665)
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)
Financing Cash Flow	34,825	(8,567)	(7,281)	(7,208)	(8,921)
Net Change in Cash	5,719	(4,086)	999	7,943	6,503
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 24. Key Ratio

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Growth (%)					
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
Profitability (%)					
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
Leverage					
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 : KLBF, 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	victor.stefano@brids.co.id
Ismail Fakhri Suweleh	Healthcare, Property, Industrial Estate	ismail.suweleh@brids.co.id
Richard Jerry, CFA	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
Ehrlich 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

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