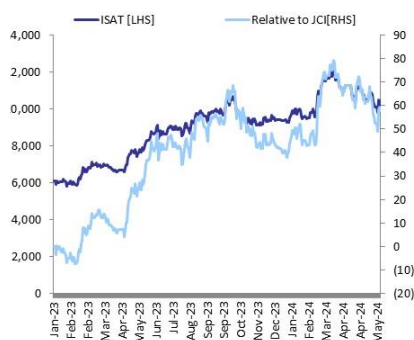


Buy

(Maintained)

Last Price (Rp)	10,175
Target Price (Rp)	13,300
Previous Target Price (Rp)	13,300
Upside/Downside	+51.6%
No. of Shares (mn)	8,063
Mkt Cap (Rpbn/US\$mn)	82,038/5,045
Avg, Daily T/O (Rpbn/US\$mn)	49.1/3.0
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	669.3 811.1 974.6
BRIDS/Cons (%)	(1.7) (1.9) (5.7)

ISAT relative to JCI Index



Source: Bloomberg

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Indosat Ooredoo Hutchison (ISAT II) KTAs from meeting with CFO: setting foundations for more revenue diversification

- IOH aims to grow inline with its spectrum holdings and sees new merger to result in more efficiencies; Starlink will complement market.
- IOH key priority is the investments in distribution while it aims to improve profitability at the micro level amid its expansion in ex-Java.
- Maintain Buy rating with TP Rp13,300. IOH adds more growth layers with higher contribution from B2B investing in GPUs and 5G.

Competing in sustainable manner in amenable competition landscape.

ISAT aims to grow subs/revenue market share (currently at 10% in many areas in ex-Java) to correspond with their cost of frequency license fees which equates to 30% of the available spectrum. Management sees the possible EXCL-FREN merger to foster a more efficient market conduct, referencing to its own ARPU improvements to close to Rp38k, from Rp33k, and the 3x price improvements in FY23. IOH has seen a positive performance so far in 2Q24 with possible Rp40k ARPU still in the cards. Management sees Starlink's satellite service as a market complementary to address service gaps in remote areas, to support backbone in the islands primarily in Indonesia's eastern parts.

Aiming to achieve profitability at micro level amid its expansion mode.

IOH network is now 70-75% fiberized and it has added more core networks spread across country, hence improving network latency. Its capex plan is to roll out ~3,000 sites/year, (~50,000 total sites now), with objective to achieve profitability for each site. IOH's key priority is to improve product awareness, hence a) its investments in distribution/resellers b) policy for transparent pricing (no gimmicks and product T&Cs and product simplification).

Laying foundations for growth and higher contribution from B2B/enterprises.

IOH promises to increase dividend but concurrently plans to achieve 30-40% topline contribution from B2B/ enterprise segment in next 3-4yrs through several initiatives. First, IOH has become NVIDIA's eligible partner to source the latest version of GPU units, receiving big interest from clients (e.g., Pertamina and banks for AI products and IT security). Second, it holistically sees the upcoming spectrum auctions with the 700MHz to be useful for the propagation of 5G which will utilize the 3.5GHz and 2.5-2.6GHz spectrums due for auction too in FY25-26. IOH sees great potential from 5G use cases for enterprises.

Reiterate Buy rating and unchanged TP of Rp13,300.

We reiterate our view that ISAT has clear pathways to achieve superior growth in coming years (our FY24-26F forecast of 16% CAGR). Revenue upside from business clients shall sustain the outlook. Key risk is price 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)	17.4	17.3	15.5	12.8	11.1
PBV (x)	2.9	2.7	2.4	2.2	2.0
Dividen yield (%)	2.5	2.2	3.2	5.5	6.3
EV/EBITDA	4.8	3.8	3.3	2.7	2.3

Source: ISAT, BRIDS Estimates

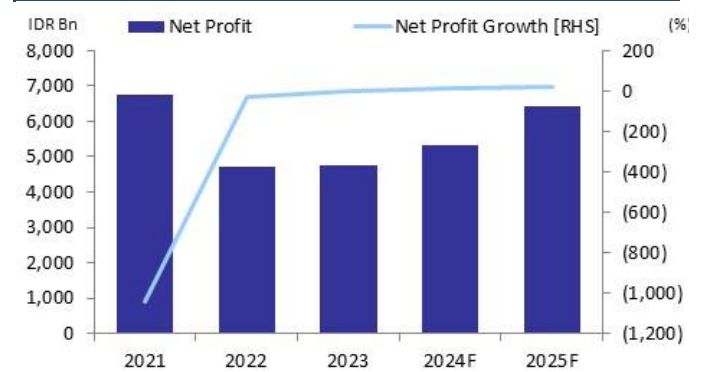
See important disclosure at the back of this report

Exhibit 1. Revenue and Growth



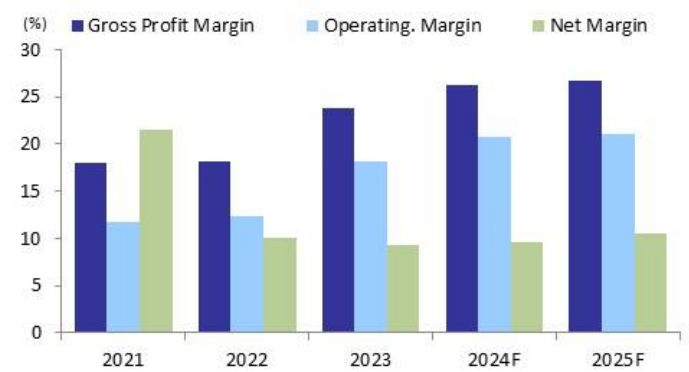
Source: Company, BRIDS Estimates

Exhibit 2. Net Profit and Growth



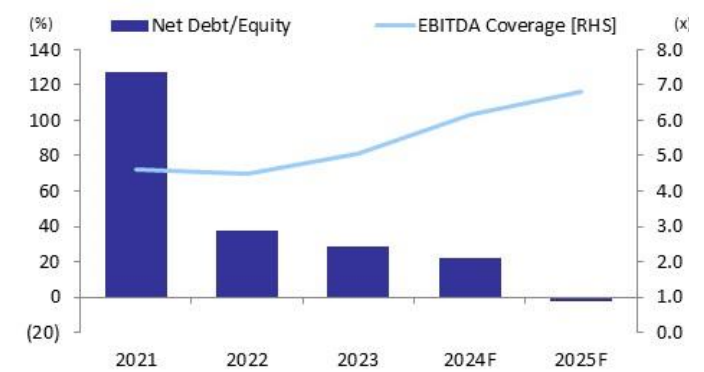
Source: Company, BRIDS Estimates

Exhibit 3. Margins



Source: Company, BRIDS Estimates

Exhibit 4. Gearing Level



Source: Company, BRIDS Estimates

Exhibit 5. 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 6. 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 7. 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 8. 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

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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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