BUY

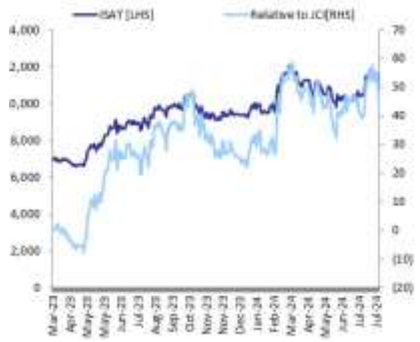
(Maintained)

Last Price (Rp)	10,700
Target Price (Rp)	13,300
Previous Target Price (Rp)	*13,300*
Upside/Downside	+24.3%
No. of Shares (mn)	8,063
Mkt Cap (Rpbn/US$mn)	86,271/5,314
Avg, Daily T/O (Rpbn/US$mn)	49.7/3.1
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	662.7	812.7	963.8
BRIDS/Cons (%)	**(0.7)**	**(2.1)**	**(4.6)**

ISAT relative to JCI Index



Source: Bloomberg

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Indosat Ooredoo Hutchison (ISAT IJ)

Solid 1H24 earnings (inline); further upsides in ARPU and EBITDA margins are still in the cards

- **IOH's solid 1H24 net profit of Rp2.73tr (+43% yoy) was in line, driven by 2Q24 margin expansion due to revenue growth and leverages realization.**
- **We expect rural area expansion and core network adjustments to unlock EBITDA margin expansion by <200bps in the next two quarters.**
- **We keep our forecast and TP of Rp13,300 unchanged and reaffirm our Buy rating on intact robust earnings growth.**

Solid 2Q24 earnings driven by margin expansion; more upside in 2H24
IOH delivered in line 1H24 net profit of Rp2.73tr (43.3% yoy) accounting for 50.9%/52.2% of our/cons est., driven by 2Q24 EBITDA expansion to 48.8%. Mgmt reconfirmed its guidance of near 50% FY24 EBITDA margin (1H24: 47.9%). We see two pathways to realize this upside: a) IOH reiterated that key growth will come from subscriber acquisition, placing 2,000 unique selling points in the rural area to sell/change SIM cards and unlock significant scale. b) improved customer experience via improvements in own apps IM3/Tri.

Higher Rp40k ARPU within reach, with further upside
IOH ARPU grew to Rp38.4k, (+2.4%qoq, +7.3%yoy), broadly in line with our 2Q24 preview. We concur with mgmt's view that reaching the higher Rp40k ARPU will be part of bigger monetization journey, with further upside to Rp45-50k as IOH aims to modernize its app to become a one-stop shop super app. Our observations with peers show that app enhancements in customization and utility correlate with organic increase in ARPU.

More network improvements to ensure business sustainability and margins.
Mgmt also expects EBITDA margin to improve via efficiencies in the Core network concluded in 1H for Java. (see exh. 4). These efficiencies are also due in ex-Java to help reduce IOH's cost structure. Hence, we believe the targeted margin expansion of <200bps in FY24 is achievable despite the weak consumer purchasing power experienced in 2Q24. Additionally, further capex rollout (38% budget absorption in 1H) will ensure sustainability and upside in fixed BB growth.

Reaffirming our BUY rating as robust earnings growth outlook is intact.
We keep our forecast largely unchanged post in line 1H24 earnings and reiterate our Buy rating on ISAT with an unchanged TP of Rp13,300 on its superior earnings growth vs peers. ISAT trades at EV/EBITDA 4.9x, +1SD above its mean, but is below ASEAN players' (excl. SG) multiple at 7.3x. The Key downside risk is prolonged consumer weakness beyond FY24.

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)	18.3	18.2	16.3	13.4	11.6
PBV (x)	3.0	2.8	2.5	2.3	2.1
Dividen yield (%)	2.4	2.1	3.1	5.2	6.0
EV/EBITDA	6.9	5.6	5.0	4.5	4.1

Source: ISAT, BRIDS Estimates

Exhibit 1. IOH 2Q/1H24 P&L statement

Rp bn	2Q23	1Q24	2Q24	QoQ, %	YoY, %	1H23	1H24	YoY, %	2024F BRIDS	*Achiev. %*	2024F Cons	*Achiev. %*
Total revenue	**12,730**	**13,835**	**14,141**	***2.2***	***11.1***	**24,675**	**27,976**	***13.4***	**55,576**	***50.3***	**55,702**	***50.2***
Net Cellular revenue	10,920	11,657	11,944	*2.5*	*9.4*	21,178	23,601	*11.4*	46,751	*50.5*		
Multimedia, Data, Internet (MIDI)	1,574	1,971	1,945	*(1.3)*	*23.6*	3,029	3,916	*29.3*	7,759	*50.5*		
Fixed telecommunications	236	207	252	*21.5*	*6.8*	468	459	*(1.9)*	1,066	*43.0*		
Total operating expense	**(10,323)**	**(11,069)**	**(11,154)**	***0.8***	***8.1***	**(19,909)**	**(22,224)**	***11.6***	**(44,082)**	***50.4***		
Cash Costs	**(6,676)**	**(7,326)**	**(7,238)**	***(1.2)***	***8.4***	**(13,292)**	**(14,564)**	***9.6***	**(28,475)**	***51.1***		
Cost of services	(5,246)	(5,612)	(5,539)	*(1.3)*	*5.6*	(10,472)	(11,151)	*6.5*	(21,953)	*50.8*		
Depreciation & amortization	(3,537)	(3,732)	(4,009)	7.4	13.3	(7,241)	(7,741)	6.9	(15,607)	*49.6*		
Personnel cost	(961)	(962)	(998)	*3.8*	*3.8*	(1,886)	(1,960)	*3.9*	*(3,877)*	*50.5*		
Marketing	(276)	(527)	(459)	*(12.9)*	*66.3*	(587)	(986)	*67.9*	*(1,740)*	*56.7*		
G&A	(193)	(226)	(242)	*7.3*	*25.4*	(346)	(468)	*35.0*	*(906)*	*51.6*		
Other income (expense)	(110)	(12)	93	*n/a*	*(184.6)*	624	81	*(86.9)*	0			
EBITDA	**6,054**	**6,509**	**6,903**	***6.0***	***14.0***	**11,383**	**13,412**	***17.8***	**27,101**	***49.5***	**26,680**	***50.3***
EBITDA margin (%)	*47.6*	*47.0*	*48.8*	*1.8*	*1.3*	*46.1*	*47.9*	*1.8*	*48.8*		*47.9*	
EBIT	**2,517**	**2,778**	**2,894**	***4.2***	***15.0***	**4,142**	**5,671**	***36.9***	**11,494**	***49.3***	**11,331**	***50.1***
EBIT margin (%)	*19.8*	*20.1*	*20.5*	*0.4*	*0.7*	*16.8*	*20.3*	*3.5*	*20.7*		*20.3*	
Operating Profit	**2,407**	**2,766**	**2,987**	***8.0***	***24.1***	**4,766**	**5,753**	***20.7***				
OP margin (%)	*18.9*	*20.0*	*21.1*	*1.1*	*2.2*	*19.3*	*20.6*	*1.2*				
Total other income (expenses)	**(1,143)**	**(997)**	**(1,034)**	***3.7***	***(9.6)***	**(2,345)**	**(2,031)**	***(13.4)***	**(4,311)**	***47.1***		
Finance cost	(1,236)	(1,094)	(1,137)	*3.9*	*(8.0)*	(2,434)	(2,231)	*(8.3)*	(4,406)	***50.6***		
Interest income	94	91	85	*(6.0)*	*(9.1)*	190	176	*(7.5)*	95			
Forex gain (loss)	(1)	6	17	*n/a*	*(1,376)*	(102)	23	-123.0				
Pre-tax profit / (loss)	**1,263**	**1,769**	**1,953**	***10.4***	***54.6***	**2,420**	**3,722**	***53.8***	**7,183**	***51.8***	**6,922**	***53.8***
Tax benefit (expense)	(213)	(377)	(420)	*11.2*	*96.8*	(376)	(797)	*111.7*	*(1,580)*	*23.9*		
Minority interest	(71)	(97)	(93)	*(3.7)*	*31.9*	(135)	(190)	*40.2*	*(296)*	*32.7*		
Reported Net profit / (loss)	979	1,295	1,440	*11.2*	*47.0*	1,908	2,735	*43.3*	5,306	*51.5*	5,172	*52.9*
Normalized Net profit / (loss)	**986**	**1,262**	**1,440**	***14.1***	***46.0***	**1,273**	**2,702**	***112.2***	**5,306**	***50.9***	**5,172**	***52.2***
Normalized Net margin (%)	*7.7*	*9.4*	*10.2*	*0.8*	*2.5*	*7.7*	*9.8*	*2.0*				

Source: Company, BRIDS Estimates

Exhibit 2. IOH 2Q/1H24 B.S and CF items

	2Q23	4Q23	1Q24	2Q24	QoQ, %	YoY, %	1H23	1H24	YoY, %
Book Capex	**1,858**	**5,010**	**2,134**	**2,387**	***11.9***	***28.5***	**4,301**	**4,521**	***5.1***
Capex/sales (intensity) (%)	*14.6*	*36.4*	*15.4*	*16.9*	*1.5*	*2.3*	*17*	*16.2*	*(1.3)*
CF from Operating activities	*3,450*	*3,068*	*6,279*	*3,372*	*(46.3)*	*(2.2)*	*8,482*	*9,652*	*13.8*
CF from Investing activities	*(2,349)*	*(4,397)*	*(2,688)*	*(2,014)*	*(25.1)*	*(14.3)*	*(3,122)*	*(4,702)*	*50.6*
FCF	*1,101*	*(1,329)*	*3,591*	*1,358*	*(62.2)*	*23.4*	*5,360*	*4,950*	*(7.7)*
oFCF (EBITDA - Book CAPEX)	***4,196***	***1,461***	***4,375***	***4,516***	***3.2***	***7.6***	***7,082***	***8,891***	***25.5***
CF from Financing activities	*(7,614)*	*(280)*	*(948)*	*(4,665)*	*392.2*	*(38.7)*	*(9,400)*	*(5,613)*	*(40.3)*
Total interest bearing debt	18,412	14,803	14,569	13,931	*(4.4)*	*(24.3)*			
Cash & equivalents	5,341	5,190	7,849	4,570	*(41.8)*	*(14.4)*			
Net debt (excl. financial lease)	13,071	9,613	6,720	9,361	*39.3*	*(28.4)*			
Financial leases	37,380	39,089	39,524	39,892	*0.9*	*6.7*			
Net debt	50,450	48,703	46,244	49,253	*6.5*	*(2.4)*			
Equity	28,160	30,746	32,089	31,318	*(2.4)*	*11.2*			
Net debt /LTM EBITDA (x)	*0.60*	*0.40*	*0.27*	*0.36*	*34.8*	*(40.2)*			
Net debt/equity (%)	*0.46*	*0.31*	*0.21*	*0.30*	*42.7*	*(35.6)*			

Source: Company

Exhibit 3. IOH 2Q/1H24 key operational KPIs

	2Q23	4Q23	1Q24	2Q24	QoQ, %	YoY, %	1H23	1H24	YoY, %
Customers - total (mn)	**100.0**	**98.8**	**100.8**	**100.9**	***0.1***	***0.9***			
Customers - postpaid (mn)	1.6	1.6	1.6	1.5	*(6.3)*	*(6.3)*			
Customers - prepaid (mn)	98.4	97.2	99.3	99.4	*0.1*	*1.0*			
Data users (mn) (calculated)									
4G data users	74.5	76.2	76.2	81.0	*6.3*	*8.7*			
Smartphone users (mn)	88.0	88.9	90.7	90.8	*0.1*	*3.2*			
Smartphone penetration	88%	90%	90%	90%	*0.0*	*2.0*			
Data traffic (Petabytes)	**3,652**	**3,716**	**3,858**	**4,107**	***6.5***	***12.5***	**7,196**	**7,965**	***10.7***
Effective Data Tariff (Rp '000/gb)	2.6	2.8	2.7	2.6	*(3.7)*	*(1.9)*	2,615	2,605	*-0.4*
Average data usage (in gb)	13.8	13.9	14.2	15.1	*6.3*	*9.0*	13.5	14.6	*8.4*
ARPU (blended) (Rp thousand)	**35.8**	**38.5**	**37.5**	**38.4**	***2.4***	***7.3***	**34.3**	**37.9**	***10.5***
ARPU (prepaid) (Rp thousand)	35.2	37.8	36.7	37.5	*2.2*	*6.5*	33.8	37.1	*9.8*
Network BTS (# '000)									
2G	48.9	50.0	51.3	52.1	*1.7*	*6.7*	48.9	52.1	*6.7*
4G	166.5	179.0	183.8	188.2	*2.4*	*13.0*	166.5	188.2	*13.0*
5G	0.1	0.1	0.1	0.1	*14.4*	*14.4*	0.1	0.1	*14.4*
Total BTS	**215.5**	**229.1**	**235.2**	**240.5**	***2.2***	***11.6***	**215.5**	**240.5**	*11.6*

Source: Company

Exhibit 4. Core Network consoldation completion in Java

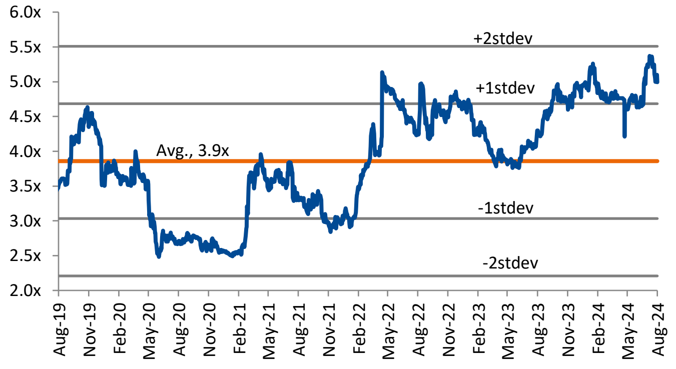
Source: Company

Exhibit 5. BRIDS latest forecast

Rp bn	BRIDS forecast (Unchanged) 2023	2024F	2025F	2026F	Last Consensus 2024F	2025F	2026F	Δ% of Consensus 2024F	2025F	2026F
Revenue	**51,229**	**55,576**	**60,813**	**66,434**	**55,675**	**59,449**	**62,715**	***-0.2***	***2.3***	***5.9***
growth %	*9.6*	*8.5*	*9.4*	*9.2*	*8.7*	*6.8*	*5.5*			
EBITDA	**23,938**	**27,101**	**29,900**	**32,641**	***26,932***	***29,155***	***31,048***	***0.6***	***2.6***	***5.1***
margin %	*46.7*	*48.8*	*49.2*	*49.1*	**48**	**49**	**50**			
EBIT	**9,317**	**11,494**	**12,821**	**13,984**	***11,447***	***13,089***	***14,511***	***0.4***	***-2.0***	***-3.6***
margin %	*18.2*	*20.7*	*21.1*	*21.0*	*20.6*	*22.0*	*23.1*			
NPATMI	**4,507**	**5,306**	**6,415**	**7,410**	***5,297***	***6,529***	***7,481***	***0.2***	***-1.8***	***-1.0***
adjusted NPATMI	**3,561**	**5,306**	**6,415**	**7,410**						
margin %	*7.0*	*9.5*	*10.5*	*11.2*						
ROE	**15.4**	**15.5**	**16.9**	**18.1**						

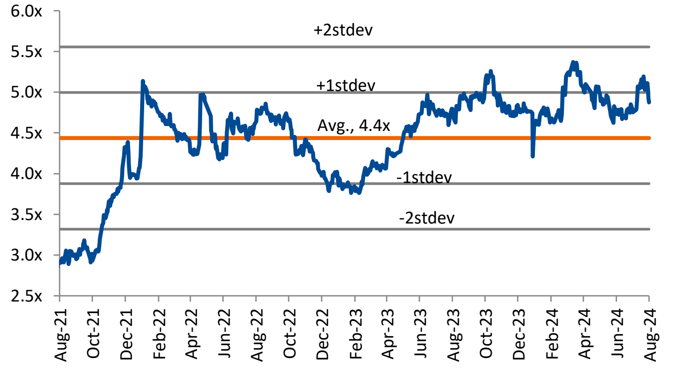
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 6. ISAT forward EV/EBITDA (5yrs)



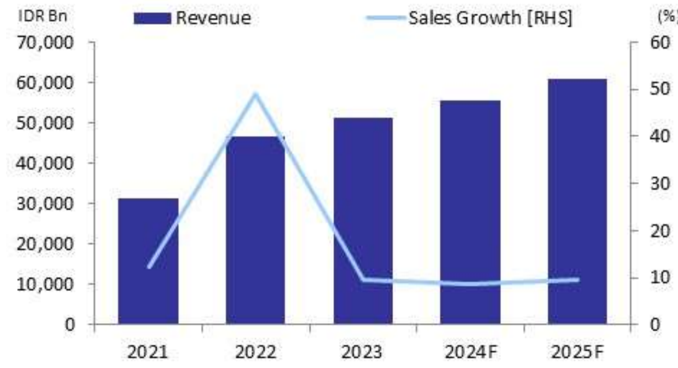
Source: Company, BRIDS Estimates

Exhibit 7. ISAT forward EV/EBITDA (3yrs)



Source: Company, BRIDS Estimates

Exhibit 8. Revenue and Growth



Source: Company, BRIDS Estimates

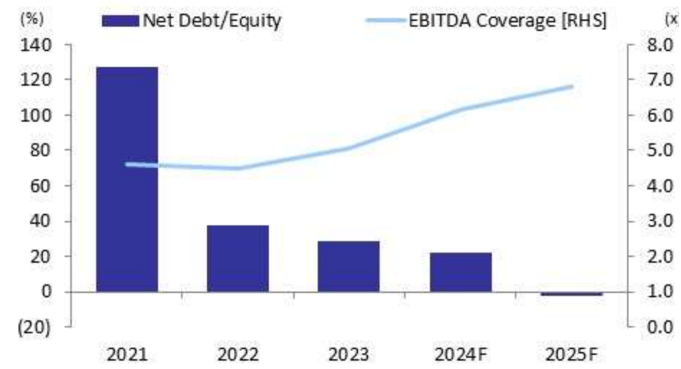
Exhibit 9. Net Profit and Growth

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
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 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
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'sFunds	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 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)
OtherOper. 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 15. 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: ISAT, 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