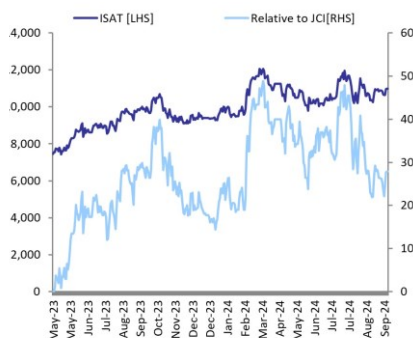


Buy

(Maintained)

Last Price (Rp)	10,975
Target Price (Rp)	13,300
Previous Target Price (Rp)	13,300
Upside/Downside	+21.2%
No. of Shares (mn)	8,063
Mkt Cap (Rpbn/US\$mn)	88,488/5,827
Avg, Daily T/O (Rpbn/US\$mn)	47.1/3.1
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	669.8 823.7 970.1
BRIDS/Cons (%)	(1.7) (3.4) (5.3)

ISAT relative to JCI Index



Source: Bloomberg

Indosat Ooredoo Hutchison (ISAT II)

Aggressive Distribution Fuels Future Growth While Ensuring Short-Term Resilience with Price Hikes

- IOH establishes another distribution layer with Indosat retailers to transition away from low ARPU to high ARPU potential users in ex-Java.
- IOH implements 5-9% price hikes to maintain revenue resilience in 2H24 while it anticipates the sector to recover by 1Q25.
- We maintain our BUY rating on IOH (TP: Rp13,300), implying premium valuation driven by growth from IOH's expanding distribution.

Focus on Gross Adds with ARPU potential

IOH identifies ~20-22mn gross subscriber additions in the sector that rotate between operators monthly, causing supply bottlenecks. While IOH contributes ~1/4 of these adds, it plans to phase them out and prioritize acquisitions in ex-Java areas with higher ARPU potential. This strategy supports IOH's shift away from wholesalers to its new distribution model, which better aligns with IOH's growth and subscriber optimization objectives. As a result, IOH does not expect spikes in 3Q24 subscriber growth (contrary to market speculation).

Aiming for long-term growth by expanding its own distribution network

IOH has rolled out ~2,000 distribution points in ex-Java, alongside the ~48 pre-merger distributors. It now aims to add another layer of Preferred Indosat Retailers in ex-Java. To support this, IOH has deployed personnel to train these new retailers. IOH asserts that the incurred OPEX will be offset by avoiding ~700,000 annual churn due to its expanded market presence. Thus, we believe IOH can optimize its subscriber mix and derive greater profit margins.

Implementing price hikes while awaiting market improvement by 1Q25

IOH acknowledges the sector's growth weakness, partly due to Telkomsel's introduction of its new brand, in our view. However, Indosat expects the outlook to improve by 1Q25. In the meantime, IOH raised prices by 5-9% in its online channels in September, with plans for further increases in offline channels by the end of the month. We believe these increases target sticky customers who have come to value IOH's improved 4G network.

Maintain BUY: Premium valuation justified by strong ARPU upside

We maintain our BUY rating for ISAT with a TP of Rp13,300, which implies 5.2x EV/EBITDA. ISAT's new distribution model is well-positioned to unlock significant ARPU upside and expand profit margins, justifying its premium valuation (EV/EBITDA 4.6x vs. sector 4.2x). Main downside risk stems mainly from heightened competition intensity.

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)	18.7	18.7	16.7	13.8	11.9
PBV (x)	3.1	2.9	2.6	2.3	2.2
Dividen yield (%)	2.3	2.0	3.0	5.1	5.9
EV/EBITDA	7.0	5.7	5.1	4.6	4.2

Source: ISAT, BRIDS Estimates

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KTA with IOH: Continues Aggressive Distribution Rollout and Capex Push Amid Market Noise and Weak Consumer Sentiment

Industry Challenges: The industry faces challenges with 20-22 million SIM card sales each month. The issue of gross adds is not unique to Indosat. It affects the entire telecom industry in Indonesia. Incentives for meeting gross adds targets have sometimes led to bottlenecks in supply chain. However, Indosat has stipulated agreements with wholesalers to ensure proper compliance, with reports confirming that the process is safeguarded.

Wholesaler Challenges: Indosat has faced issues with wholesalers not meeting targets, which has led the company to restructure its distribution model and reduce reliance on large wholesalers to avoid subscriber churns. Indosat aims to save ~700,000 churning SIM cards annually by building distribution infrastructure that enhances customer retention.

New Distribution Model and Expansion Plans: Indosat has added 2,000 new distributors in deep rural areas, each managing 10-15 sites. **The company plans to roll out a great deal of preferred Indosat retailers to expand its distribution network to shops across Indonesia**, offering both telecom and financial services. Indosat is focusing on smaller retailers and wholesalers to better serve niche markets and strengthen direct distribution while shifting its focus away from gross adds to prioritize long-term sustainable growth and free cash flow (FCF).

Online Sales Focus: Indosat is seeing success in online SIM card sales, achieving 82% survival rate with an ARPU of Rp 82,000 over six months, compared to 15-16% for physical sales.

Revenue Growth from High-Value Customers: Indosat has increased revenue from customers paying Rp 100,000 and above, which now accounts for 20% of total revenue, representing a five-fold increase in two years.

Network Investment: Indosat is heavily investing in its network, planning to roll out 3,500 sites this year, with an emphasis on deep rural areas. The company is also expanding its Jakarta and Java networks, with the rollout of 170 new sites.

Price and Data Quota Adjustments: Indosat has increased prices by 5-9% for online channels. Indosat plans to further increase prices in offline channels by September 30th. Currently, consumer sentiment is the weakest seen in the last six years. However, Indosat expects consumption to improve by 1Q25; therefore, the company continues to roll out its distribution, network, and carry on with their price changes implementation.

Potential IOH ARPU journey scenarios and revenue impact in 2024-26F

We build a scenario whereby sometime in 2025-26, IOH reaches the levels of XL 44k and TSEL 45k blended ARPU. We concurrently assume conservatively 0.5% qoq subscriber growth takes place amid gadget and IoT ecosystem expansion as well as potential growth in ex-Java. Hence, in the 1st scenario, it would require an average 1.8% each quarter for the remaining 10 quarters until the end of FY26F to achieve a desired 44k blended ARPU. Additionally, in a 2nd scenario, it would require an average 3.4% quarterly growth rate in blended ARPU for the next 6 quarters to achieve 44k in FY25F.

This should provide a positive impact on gross cellular revenue excl. VAS and other revenue items of 9.2%/9.5%/9.6% YOY in FY24F, FY25F, and FY26F in the first scenario, and 10.5%/16.2% YOY in FY24F and FY25F in the 2nd scenario. We assume ARPU growth can be delivered via a combination of growth in data volume consumption facilitated by upgrades in starter packs and reload packs, in combination with price hikes mainly.

Exhibit 1. Quarterly gross cellular revenue scenario (1) assuming IOH reaches 44k blended ARPU by FY26F

IOH KPIs	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26
Subscribers ('mn)	94.6	96.2	98.6	102.2	98.5	100	99.4	98.8	100.8	100.9	101.4	101.9	102.4	102.9	103.4	104.0	104.5	105.0	105.5	106.1
Qtr growth	50.4%	1.7%	2.5%	3.7%	-3.6%	1.5%	-0.6%	-0.6%	2.0%	0.1%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
calculated ARPU (Rp '000)	32.0	33.7	33.7	33.4	32.8	35.5	35.5	37.8	37.3	37.8	38.4	39.1	39.8	40.6	41.3	42.1	42.8	43.6	44.4	45.2
Qtr growth	-5.5%	5.3%	-0.2%	-0.9%	-1.8%	8.3%	0.0%	6.7%	-1.5%	1.3%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%
Gross cellular revenue excl. VAS, Other (Rpbn)	8,831	9,655	9,834	10,046	9,863	10,568	10,613	11,253	11,163	11,423	11,665	11,936	12,213	12,497	12,787	13,084	13,388	13,699	14,017	14,343
Qtr growth	38.6%	9.3%	1.9%	2.2%	-1.8%	7.2%	0.4%	6.0%	-0.8%	2.3%	2.1%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%

Source: Company, BRIDS Estimates

Exhibit 2. Annual gross revenue 2024-26F scenario (1) with ARPU assumptions

IOH annual KPIs	FY21	FY22	FY23A	FY24F	FY25F	FY26F
Subscribers ('mn)	62.9	102.2	98.8	101.9	104.0	106.1
yoy growth		62.5%	-3.3%	3.1%	2.0%	2.0%
calculated ARPU (Rp '000)	34.6	38.7	35.1	38.4	40.9	44.0
yoy growth		11.9%	-9.4%	9.4%	6.8%	7.5%
Gross cellular revenue excl. VAS, Other (Rpbn)	24,569	38,367	42,296	46,186	50,581	55,447
yoy growth		56.2%	10.2%	9.2%	9.5%	9.6%

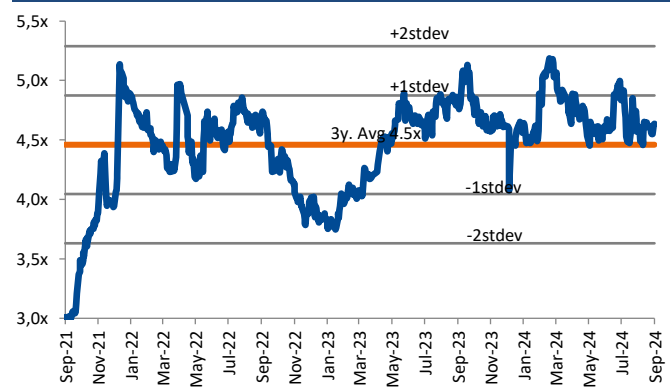
Source: Company, BRIDS Estimates

Exhibit 3. ISAT IJ forward 5-yr EV/EBITDA band



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 4. ISAT IJ forward 3-yr EV/EBITDA band



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 5. Sector forward 5-yr EV/EBITDA band



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 6. Sector forward 3-yr EV/EBITDA band



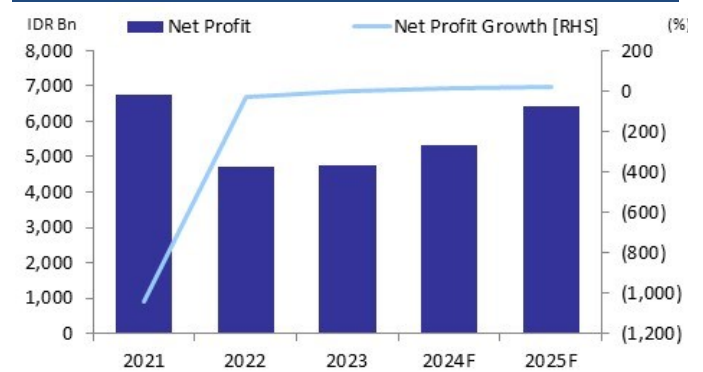
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 7. Revenue and Growth



Source: Company, BRIDS Estimates

Exhibit 8. Net Profit and Growth



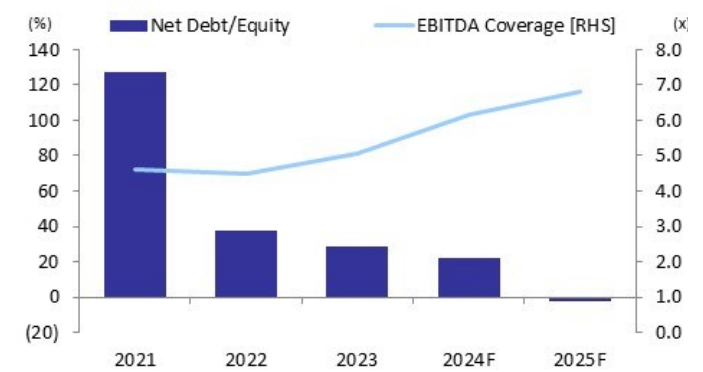
Source: Company, BRIDS Estimates

Exhibit 9. Margins



Source: Company, BRIDS Estimates

Exhibit 10. Gearing Level



Source: Company, BRIDS Estimates

Exhibit 11. 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 12. 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 13. 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 14. 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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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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